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

2018
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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CONTENTS

CORPORATE INFORMATION

Executive Directors
CAI Liqun *(Chairman)*
FANG Yao *(Vice Chairman)*
CHEN Zhaohui
KE Dong

Non-executive Directors[1]
CHEN Zhiping
MIAO Luping[2]
FU Chengjing
HUANG Zirong
BAI Xueqing

Independent Non-executive Directors
LIU Feng
LIN Pengjiu
YOU Xianghua
JIN Tao
JI Wenyuan

Supervisors[3]
ZHANG Guixian
LIAO Guosheng
WU Weijian
TANG Jinmu
XIAO Zuoping

Joint Company Secretaries
CAI Changzhen
MOK Ming Wai

Authorised Representatives
CHEN Zhaohui
CAI Changzhen

Registered Address
No. 439 Gangnan Road
Haicang District, Xiamen City
Fujian Province, the PRC

Principal Place of Business In Hong Kong
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Auditors
International auditor:
PricewaterhouseCoopers

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

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

as to PRC law:
King & Wood Mallesons

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

Hong Kong H Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

Listing Date
19 December 2005

Notes:
1. Mr. CHEN Dingyu has resigned from the position of Non-executive Director on 23 March 2018
2. Newly appointed since 15 June 2018
3. Mr. SU Yongzhong has resigned from the position of Supervisor on 23 March 2018

FINANCIAL HIGHLIGHTS

The unaudited interim consolidated results for the six months ended 30 June 2018

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	RMB'000
Revenues	**6,610,825**	6,023,250	587,575
Operating profit	**519,708**	700,613	(180,905)
Profit for the period	**261,543**	503,035	(241,492)
Profit attributable to owners of the Company	**115,214**	260,666	(145,452)
Earnings per share for profit attributable to owners of the Company during the period			
— Basic and diluted (in RMB cents)	**4.23**	9.56	(5.33)

INDEPENDENT REVIEW REPORT

pwc 羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF XIAMEN INTERNATIONAL PORT CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 46, which comprises the condensed consolidated balance sheet of Xiamen International Port Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated statements of profit or loss, 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. 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 of the Group is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2018

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Investment properties	7	156,077	159,063
Property, plant and equipment	7	11,710,625	11,790,983
Land use rights	7	3,639,557	3,686,592
Intangible assets	7	633,420	619,034
Interests in joint ventures	8	84,078	73,286
Interests in associates	9	51,312	50,071
Financial assets at fair value through other comprehensive income	12	95,151	—
Financial assets at fair value through profit or loss	12	133,500	—
Available-for-sale financial assets	12	—	403,632
Long-term receivables and prepayments	11	63,965	57,259
Deferred income tax assets		273,332	278,153
Total non-current assets		16,841,017	17,118,073
Current assets			
Inventories		630,208	587,377
Accounts and notes receivable	10	1,173,051	1,151,344
Other receivables and prepayments	11	941,260	961,605
Financial assets at fair value through other comprehensive income		41,038	—
Financial assets at fair value through profit or loss	12	1,210,000	—
Available-for-sale financial assets	12	—	373,500
Term deposits with initial term over three months		—	8,000
Restricted cash		39,168	37,477
Cash and cash equivalents		1,278,840	671,348
Total current assets		5,313,565	3,790,651
Total assets		22,154,582	20,908,724
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	2,726,200	2,726,200
Reserves		2,498,772	2,495,995
		5,224,972	5,222,195
Non-controlling interests		6,500,767	6,621,292
Total equity		11,725,739	11,843,487

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,280,521	2,430,118
Deferred government grants and income		128,365	134,958
Long-term payables and advances	14	1,782	1,816
Deferred income tax liabilities		439,464	452,811
Total non-current liabilities		3,850,132	3,019,703
Current liabilities			
Accounts and notes payable	13	966,074	954,383
Contract liabilities		318,006	—
Other payables and accruals	14	874,963	1,264,784
Borrowings	15	4,347,476	3,707,679
Taxes payable		72,192	118,688
Total current liabilities		6,578,711	6,045,534
Total liabilities		10,428,843	9,065,237
Total equity and liabilities		22,154,582	20,908,724

The notes on pages 11 to 46 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Revenues	17	6,610,825	6,023,250
Cost of sales		(6,035,743)	(5,454,853)
Gross profit		575,082	568,397
Other income	18	135,808	105,652
Other (losses)/gains — net	19	(376)	203,266
Selling and marketing expenses		(21,985)	(21,262)
General and administrative expenses		(163,574)	(155,440)
Net impairment losses on financial assets		(5,247)	—
Operating profit	20	519,708	700,613
Finance income	21	12,135	11,318
Finance costs	21	(145,113)	(77,528)
		386,730	634,403
Share of profits less losses of joint ventures	8	1,792	(2,082)
Share of profits less losses of associates	9	(509)	401
Profit before income tax		388,013	632,722
Income tax expense	22	(126,470)	(129,687)
Profit for the period		261,543	503,035
Profit attributable to:			
Owners of the Company		115,214	260,666
Non-controlling interests		146,329	242,369
		261,543	503,035
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (in RMB cents)	24	4.23	9.56

The notes on pages 11 to 46 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**261,543**	503,035
Other comprehensive income for the period, net of tax		
Items that may be reclassified to profit or loss		
— Fair value losses on available-for-sale financial assets, net of tax	**—**	(576)
Items that will not be reclassified to profit or loss		
— Fair value losses on fair value measurement of financial assets, net of tax	**(15,077)**	—
Total comprehensive income for the period	**246,466**	502,459
Total comprehensive income for the period attributable to:		
— Owners of the Company	**100,137**	260,090
— Non-controlling interests	**146,329**	242,369
	246,466	502,459

The notes on pages 11 to 46 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 2017	2,726,200	(358,229)	2,534,890	4,902,861	5,409,112	10,311,973
Comprehensive income						
Profit for the period	–	–	260,666	260,666	242,369	503,035
Other comprehensive income:						
Fair value losses on available-for-sale financial assets	–	(576)	–	(576)	–	(576)
– Gross	–	(769)	–	(769)	–	(769)
– Related deferred income tax	–	193	–	193	–	193
Total comprehensive income for the six months ended 30 June 2017	–	(576)	260,666	260,090	242,369	502,459
Transactions with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	907,061	907,061
2016 final dividend	–	–	(109,048)	(109,048)	–	(109,048)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(208,764)	(208,764)
Balance at 30 June 2017	2,726,200	(358,805)	2,686,508	5,053,903	6,349,778	11,403,681
Balance at 31 December 2017 as previously reported	2,726,200	(321,966)	2,817,961	5,222,195	6,621,292	11,843,487
Changes in accounting policies	–	–	(1,943)	(1,943)	(1,582)	(3,525)
Balance at 1 January 2018	2,726,200	(321,966)	2,816,018	5,220,252	6,619,710	11,839,962
Comprehensive income						
Profit for the period	–	–	115,214	115,214	146,329	261,543
Other comprehensive income:						
Fair value losses on fair value measurement of financial assets	–	(24,237)	9,160	(15,077)	–	(15,077)
– Gross	–	(32,316)	12,213	(20,103)	–	(20,103)
– Related deferred income tax	–	8,079	(3,053)	5,026	–	5,026
Total comprehensive income for the six months ended 30 June 2018	–	(24,237)	124,374	100,137	146,329	246,466
Transactions with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	38,300	38,300
2017 final dividend	–	–	(95,417)	(95,417)	–	(95,417)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(303,572)	(303,572)
Balance at 30 June 2018	2,726,200	(346,203)	2,844,975	5,224,972	6,500,767	11,725,739

The notes on pages 11 to 46 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Cash flows from operating activities		
Net cash generated from operations	549,246	222,315
Interest paid	(130,190)	(88,828)
Income tax paid	(176,466)	(111,385)
Net cash generated from operating activities	242,590	22,102
Cash flows from investing activities		
Purchases of property, plant and equipment, intangible assets and land use rights	(263,660)	(282,957)
Proceeds from disposals of property, plant and equipment	26,585	8,790
Capital injection to a joint venture	(9,000)	—
Acquisition of an associate	(1,750)	—
Investment return from Build and Transfer project	—	155,449
Loan advanced to a related party	—	(13,000)
Repayment of a loan advanced to a related party	—	1,000
Interest received	12,822	6,884
Dividends received	9,655	1,814
Proceeds from disposal of wealth management products	535,000	—
Purchases of wealth management products	(1,230,000)	(150,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	13,378	—
Payment for acquisition of a subsidiary	—	(138,337)
Cash received from business combinations	—	167,666
Net increase in restricted cash	(1,691)	(618)
Net decrease in term deposits with initial term over three months	8,000	12,541
Net cash used in investing activities	(900,661)	(230,768)
Cash flows from financing activities		
Proceeds from borrowings	3,899,469	2,413,224
Repayments of borrowings	(2,412,094)	(1,869,895)
Repayment of a loan advanced from a related party	—	(70,000)
Payment for business combination under common control	—	(501,546)
Contribution from non-controlling shareholders of subsidiaries	38,300	17,217
Dividends paid to non-controlling shareholders of subsidiaries	(260,621)	(180,629)
Net cash generated from/(used in) financing activities	1,265,054	(191,629)
Net increase/(decrease) in cash and cash equivalents	606,983	(400,295)
Cash and cash equivalents at beginning of period	671,348	1,140,956
Exchange gains/(losses) on cash and cash equivalents	509	(1,561)
Cash and cash equivalents at end of period	1,278,840	739,100

The notes on pages 11 to 46 form an integral part of these condensed consolidated interim financial statements.

1. General information

Xiamen International Port Co., Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC"). The Company's H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"). The address of its registered office is No. 439 Gangnan Road, Haicang District, Xiamen City, Fujian Province, the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged through the relevant terminals in Dongdu port area and Haicang port area of Xiamen, Qingzhou operating area in Fuzhou and Quanzhou port, in container, bulk and general cargo loading and unloading and storage businesses; comprehensive port logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and building materials manufacturing, processing and selling, the trading of merchandise and investment holding.

The directors of the Company regard Xiamen Port Holding Group Co., Ltd. ("XPHG", which is incorporated in the PRC) as being the parent company of the Company.

These unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and are approved for issue by the board of directors of the Company (the "Board") on 24 August 2018.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3. Accounting policies

Changes in accounting policies and disclosures

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those of the annual consolidated financial statements of the Company for the year ended 31 December 2017, as described in those annual financial statements, except for estimation of income tax for the interim periods using the tax rate that would be applicable to expected total annual earnings and the adoption of the new standards, amendments and interpretation of HKFRSs effective for the financial year ending 31 December 2018 as described in note (a) below.

3. Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(a) New standards, amendments and interpretation adopted by the Group in 2018

The following new standards, amendments and interpretation of HKFRSs, which are relevant to the operations of the Group, have been adopted by the Group for the first time for the financial year beginning 1 January 2018:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2	regarding classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40	regarding transfer of investment property	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The impact of the adoption of HKFRS 9, HKFRS 15 and the new accounting policies are described in Note 4 below. The other amendments and interpretation did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards, amendments and interpretation not yet adopted

The following new standard, amendments and interpretation of HKFRSs, which are relevant to the operations of the Group, have been published but are not mandatory for the Group's accounting periods beginning on 1 January 2018 but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretation not yet adopted (continued)

The Group will adopt the above new standard, amendments and interpretation when they become effective but it is not expected that they will result in any significant impact to the Group's financial statements.

HKFRS 16 will result in almost all leases being recognized on the balance sheet for lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases, which are not material to the Group.

4. Impact from changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

As explained in note (b) below, HKFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. In addition, HKFRS15 was adopted using the modified retrospective approach which means that the cumulative impact of the adoption are recognized in retained earnings as of 1 January 2018 and that comparatives are not restated.

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more detail standard by standard below.

4. Impact from changes in accounting policies (continued)

(a) Impact on the consolidated financial statements (continued)

Consolidated financial position (extract)	Note	As at 31 December 2017 as previously reported RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	As at 1 January 2018 RMB'000
Non-current assets					
Financial assets at fair value through other comprehensive income	4(b)(ii)	—	—	128,632	128,632
Financial assets at fair value through profit or loss	4(b)(ii)	—	—	275,000	275,000
Available-for-sale financial assets	4(b)(ii)	403,632	—	(403,632)	—
Other unaffected non-currant asset line items		16,714,441	—	—	16,714,441
Current assets					
Accounts and notes receivable	4(b)	1,151,344	—	(59,349)	1,091,995
Financial assets at fair value through other comprehensive income	4(b)(ii)	—	—	55,824	55,824
Financial assets at fair value through profit or loss	4(b)(ii)	—	—	373,500	373,500
Available-for-sale financial assets	4(b)(ii)	373,500	—	(373,500)	—
Other unaffected current asset line items		2,265,807	—	—	2,265,807
Total assets		20,908,724	—	(3,525)	20,905,199
Liabilities					
Contract liabilities	4(d)	—	434,687	—	434,687
Other payables and accruals	4(d)	1,264,784	(434,687)	—	830,097
		1,264,784	—	—	1,264,784
Other unaffected liability line items		7,800,453	—	—	7,800,453
Total liabilities		9,065,237	—	—	9,065,237
Net assets		11,843,487	—	(3,525)	11,839,962
EQUITY					
Equity attributable to owners of the Company					
Share capital		2,726,200	—	—	2,726,200
Reserves	4(b)(i)	2,495,995	—	(1,943)	2,494,052
		5,222,195	—	(1,943)	5,220,252
Non-controlling interests	4(b)(i)	6,621,292	—	(1,582)	6,619,710
Total equity		11,843,487	—	(3,525)	11,839,962

There was no impact on the condensed consolidated statement of profit or loss and statement of comprehensive income for the six months ended 30 June 2017 due to the adoption of HKFRS 9 and HKFRS 15.

4. Impact from changes in accounting policies (continued)

(b) HKFRS 9 "Financial Instruments" — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. Hedge accounting is not applicable to the Group.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	Retained earnings RMB'000	Non-controlling interests RMB'000
Closing retained earnings and non-controlling interests as at 31 December 2017 — HKAS 39			
Retained earnings and non-controlling interests as at 31 December 2017		2,817,961	6,621,292
Adjustment from adoption of HKFRS 9 on 1 January 2018			
— Increase in provision for trade receivables	(i)	(1,943)	(1,582)
Opening retained earnings as at 1 January 2018 — HKFRS 9		2,816,018	6,619,710

(i) Impairment of financial assets

The Group has the following financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of inventories and from the provision of container, bulk and general cargo loading and unloading and storage businesses, comprehensive port logistics services

- Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

4. Impact from changes in accounting policies (continued)

(b) HKFRS 9 "Financial Instruments" — Impact of adoption (continued)

(i) Impairment of financial assets (continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowances as at 1 January 2018 were determined as follows for trade receivables:

1 January 2018	Current RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	1%	10%	50%	100%	
Gross carrying amount	1,012,280	79,906	152,536	21,785	1,266,507
Loss allowance	10,122	7,991	76,268	21,785	116,166

The loss allowances for trade receivables as at 31 December 2017 is reconciled to the opening loss allowances on 1 January 2018 as follows:

	Loss allowances for trade receivables RMB'000
As at 31 December 2017 — calculated under HKAS 39	112,641
Amounts restated through opening retained earnings	3,525
Opening loss allowances as at 1 January 2018 — calculated under HKFRS 9	116,166

4. Impact from changes in accounting policies (continued)

(b) HKFRS 9 "Financial Instruments" — Impact of adoption (continued)

(ii) Classification of financial assets

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — 1 January 2018	FVPL non-current RMB'000	FVPL current RMB'000	FVOCI non-current RMB'000	FVOCI current RMB'000	Available-for-sale non-current RMB'000	Available-for-sale current RMB'000	Accounts and notes receivable RMB'000
Closing balance as at 31 December 2017 — HKAS 39	—	—	—	—	403,632	373,500	1,151,344
Reclassification of investments from available-for-sale to FVPL	275,000	373,500	—	—	(275,000)	(373,500)	—
Reclassification of investments from available-for-sale to FVOCI	—	—	128,632	—	(128,632)	—	—
Reclassification of notes receivable to FVOCI	—	—	—	55,824	—	—	(55,824)
Opening balance as at 1 January 2018 — HKFRS 9	275,000	373,500	128,632	55,824	—	—	1,091,995

4. Impact from changes in accounting policies (continued)

(c) HKFRS 9 "Financial Instruments" — Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

4. Impact from changes in accounting policies (continued)

(c) HKFRS 9 "Financial Instruments" — Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4. Impact from changes in accounting policies (continued)

(c) HKFRS 9 "Financial Instruments" — Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and reclassification to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively but the comparatives for the 2017 financial year have not been restated. In summary, the following reclassification was made to the amount recognised in the balance sheet at the date of initial application (1 January 2018):

	IAS 18 carrying amount as at 31 December 2017 RMB'000	Reclassification RMB'000	HKFRS 15 carrying amount as at 1 January 2018 RMB'000
Contract liabilities	—	434,687	434,687
Trade and other payables	1,264,784	(434,687)	830,097

Presentation of assets and liabilities related to contracts with customers

The Group has changed the presentation of the following amount in the balance sheet as at 1 January 2018 to reflect the terminology of HKFRS 15:

Contract liabilities in relation to contracts, mainly represent advances from customers, were previously included in trade and other payables (RMB434,687,000 as at 31 December 2017) and were now reclassified as contract liabilities in the balance sheet as at 1 January 2018.

There were no impact on the condensed consolidated statement of profit or loss and statement of comprehensive income for the six months ended 30 June 2017 due to the adoption of HKFRS 15.

4. Impact from changes in accounting policies (continued)

(e) HKFRS 15 "Revenue from Contracts with Customers" — Accounting policies applied from 1 January 2018

Revenue is recognised to depict the transfer of promised services/goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services/goods. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services/goods underlying the particular performance obligation is transferred to customers.

Control of the services/goods is transferred over time or at a point in time.

There has been no substantial changes to the revenue recognition policies of the Group other than the changes from "risks and rewards" approach to "control" approach.

5. 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 this condensed consolidated interim financial statements, 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.

6. Financial risk management

6.1 Financial risk factors

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

These unaudited condensed consolidated interim financial statements do 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 for the year ended 31 December 2017.

There have been no changes in the risk management policies since last year end.

6.2 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.

As at 30 June 2018, the Group's current liabilities exceeded to current assets by RMB1,265 million. As at 30 June 2018, the available unused bank facilities of the Group amounted to RMB8,691 million. The board of directors of the Company believed that the credit period of these bank facilities can be extended if needed. Based on the cash inflows from operating activities and the bank facilities available to the Group, the board of directors believes that the Group would continue to receive enough finance to support the operation and debt repayment and capital expenditure during at least twelve months from the date of these interim condensed consolidated financial statements. As a result, these interim condensed consolidated financial statements are prepared on going-concern basis.

6. Financial risk management (continued)

6.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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 2018				
Bank borrowings	**4,548,156**	**1,013,609**	**1,790,007**	**246,901**
Long-term payables and advances	**—**	**77**	**137**	**1,568**
Accounts and notes payable	**966,074**	**—**	**—**	**—**
Contract liabilities	**318,006**	**—**	**—**	**—**
Other payables and accruals	**874,963**	**—**	**—**	**—**
	6,707,199	**1,013,686**	**1,790,144**	**248,469**
Audited				
At 31 December 2017				
Bank borrowings	3,876,900	1,698,912	626,327	247,719
Long-term payables and advances	—	72	128	1,616
Accounts and notes payable	954,383	—	—	—
Other payables and accruals	1,264,784	—	—	—
	6,096,067	1,698,984	626,455	249,335

The amounts of bank borrowings include future interest payments computed using contractual rates.

6.3 Fair value estimation

The table below analyses financial assets 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).

6. Financial risk management (continued)

6.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2018:

	Unaudited			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	90,998	—	45,191	136,189
Financial assets at fair value through profit or loss	—	—	1,343,500	1,343,500

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017:

	Audited			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	124,479	—	4,153	128,632
— Wealth management products	—	—	648,500	648,500

During the six months ended 30 June 2018, there are no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

As explained in Note 4(a), the Group has reclassified the financial assets at fair value due to the adoption of HKFRS 9.

6. Financial risk management (continued)

6.4 Fair value of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Accounts and notes receivable
- Other receivables and prepayments
- Term deposits with initial term over three months
- Restricted cash
- Accounts and notes payable
- Other payable and accruals
- Borrowings

7. Property, plant and equipment, investment properties, land use rights and intangible assets

	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 2018	159,063	11,790,983	3,686,592	619,034	16,255,672
Additions	592	227,024	8,864	21,205	257,685
Disposals	—	(28,023)	—	—	(28,023)
Depreciation and amortisation charge	(3,578)	(279,359)	(55,899)	(6,819)	(345,655)
Net book amount as at 30 June 2018	156,077	11,710,625	3,639,557	633,420	16,139,679

7. Property, plant and equipment, investment properties, land use rights and intangible assets (continued)

	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 2017	135,171	8,448,360	2,802,592	310,519	11,696,642
Additions through business combination	—	2,400,629	907,376	95,443	3,403,448
Other additions	10,997	138,469	—	3,860	153,326
Disposals	—	(6,043)	—	—	(6,043)
Depreciation and amortisation charge	(2,649)	(221,890)	(46,534)	(7,078)	(278,151)
Net book amount as at 30 June 2017	143,519	10,759,525	3,663,434	402,744	14,969,222

8. Interests in joint ventures

Movement in interests in joint ventures is set out as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At 1 January	**73,286**	895,839
Business combination	**—**	(815,452)
Addition	**9,000**	—
Amortisation of unrealized gains on transactions	**—**	(565)
Share of results before income tax	**3,259**	62
Share of income tax expense	**(1,467)**	(1,579)
	1,792	(2,082)
At 30 June	**84,078**	78,305

9. Interests in associates

Movement in interests in associates is set out as follows:

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
At 1 January	**50,071**	58,864
Reduction in capital	**—**	(767)
Dividends received	**—**	(1,814)
Acquisition	**1,750**	—
Share of results before income tax	**234**	832
Share of income tax expense	**(743)**	(431)
	(509)	401
At 30 June	**51,312**	56,684

10. Accounts and notes receivable

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Accounts receivable	**1,217,194**	1,126,442
Less: Provision for impairment	**(111,421)**	(115,163)
	1,105,773	1,011,279
Due from parent company (Note 26(b))	**98**	89
Due from fellow subsidiaries (Note 26(b))	**27,318**	32,438
Due from joint ventures (Note 26(b))	**1,562**	5,054
Due from associates (Note 26(b))	**1,119**	180
Due from other related parties (Note 26(b))	**37,181**	46,480
Notes receivable	**—**	55,824
	1,173,051	1,151,344

The 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 and short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

10. Accounts and notes receivable (continued)

Ageing analysis of accounts and notes receivable based on invoice date at respective balance sheet dates are as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Less than 6 months	**990,486**	946,934
6 months to 1 year	**46,573**	65,346
1 year to 2 years	**83,257**	79,906
2 years to 3 years	**66,705**	152,536
Over 3 years	**97,451**	21,785
	1,284,472	1,266,507
Less: Provision for impairment	**(111,421)**	(115,163)
	1,173,051	1,151,344

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Other receivables (a)	**364,672**	372,209
Advances to suppliers	**486,589**	518,226
Less: Provision for impairment	**(11,004)**	(10,164)
	840,257	880,271
Due from parent company (Note 26(b))	**56,737**	24,455
Due from fellow subsidiaries (Note 26(b))	**669**	1,347
Due from joint ventures (Note 26(b))	**2,045**	2,045
Due from other related parties (Note 26(b))	**1,235**	6,654
Prepayments and deposits	**104,282**	103,661
Interest receivable	**—**	431
	1,005,225	1,018,864
Less: Long-term receivables and prepayments		
— Prepayments for operating leasing in the Qingzhou Operating Area (b)	**(55,731)**	(55,731)
— Input VAT to be deducted	**(6,742)**	—
— Prepayments for acquisition of property, plant and equipment	**(1,492)**	(1,528)
	(63,965)	(57,259)
Current portion	**941,260**	961,605

11. Other receivables and prepayments (including long-term receivables and prepayments) (continued)

(a) Balance mainly represents receivable for Build-Transfer ("BT") project of RMB151,983,000 (31 December 2017: RMB151,186,000) and VAT receivable of RMB140,724,000 (31 December 2017: RMB198,910,000).

(b) The Company and its subsidiary, Fuzhou Haiying Port Co., Ltd., entered into a ten-year operating lease with Fuzhou Zhongying Gangwu Co., Ltd., a third party company. RMB1,000,000 and RMB89,000,000 was paid by the Company in 2012 and 2013 respectively as the rental deposits, which will be refunded at the end of the lease term. The difference at any point in time between cash paid and annual charge is recognised as a prepayment or accrual on the balance sheet. As at 30 June 2018, the prepayment for the following year of RMB33,269,000 (31 December 2017: RMB33,269,000) is recorded in short-term prepayment, and the remaining pre-paid rentals of approximately RMB55,731,000 (31 December 2017: RMB55,731,000) is recorded as long term prepayments.

12. Fair value measurement of financial assets

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity investments listed in the PRC, at fair value (a)	**90,998**	124,479
Unlisted equity investments (b)	**9,808**	9,808
Wealth management products (c)	**1,343,500**	648,500
Less: Provision for impairment (b)	**(5,655)**	(5,655)
	1,438,651	777,132

(a) As at 30 June 2018, the Group held 5,677,000 (31 December 2017: 6,436,000) shares of Fujian Sansteel MinGuang Co., Ltd. ("Sansteel Shares"). The Group disposed 759,000 Sansteel Shares and received cash amounted to RMB13,378,000 during the six months ended 30 June 2018. The accumulated fair value gains of RMB12,213,000 on the disposal was recorded in other reserves and transferred to retained earnings.

The fair value of this investment is determined based on the quoted market prices of Sansteel Shares as of the balance sheet dates.

As at 30 June 2018, the aggregated costs of investments in Sansteel Shares amounted to RMB8,704,000 (31 December 2017: RMB9,869,000).

12. Fair value measurement of financial assets (continued)

(b) As at 30 June 2018 impairment provision amounted to RMB5,655,000 for certain of the unlisted investments (31 December 2017: RMB5,655,000).

(c) As at 30 June 2018, the Group held certain wealth management products at an aggregated amount of RMB1,343,500,000 (31 December 2017: RMB648,500,000) with floating average annual return of 6.84% (2017: 6.10%). RMB1,210,000,000 of the products mature within one year and the remaining RMB133,500,000 of the products mature over one year.

13. Accounts and notes payable

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Accounts payable	727,199	762,868
Due to parent company (Note 26(b))	13,898	10,123
Due to fellow subsidiaries (Note 26(b))	80,846	72,813
Due to joint ventures (Note 26(b))	466	453
Due to associates (Note 26(b))	171	—
Due to other related parties (Note 26(b))	9,223	3,058
Notes payable	134,271	105,068
	966,074	954,383

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Within 1 year	869,151	727,637
1 year to 2 years	94,344	174,501
2 years to 3 years	924	48,137
Over 3 years	1,655	4,108
	966,074	954,383

14. Other payables and accruals (including long-term payables and advances)

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Due to parent company (Note 26(b))	465	98
Due to fellow subsidiaries (Note 26(b))	22,336	10,541
Due to associates (Note 26(b))	7,020	3,020
Due to joint ventures (Note 26(b))	13,406	143
Due to other related parties (Note 26(b))	2,176	3,184
Payables for purchases of property, plant and equipment and construction-in-progress	277,041	283,052
Salary and welfare payables	129,836	215,082
Customer deposits	39,435	476,968
Accrued expenses	8,393	9,267
Dividends payable to		
— parent company of the Company (Note 26(b))	98,528	3,111
— non-controlling shareholders of subsidiaries (Note 26(b))	42,951	—
Interest payable	43,458	22,916
Payables for business combination	124,511	124,511
Other payables	67,189	114,707
	876,745	1,266,600
Less: Long-term payables and advances	(1,782)	(1,816)
Current portion	874,963	1,264,784

As at 30 June 2018, the payables due to parent company, fellow subsidiaries, joint venture, associates and other related parties are unsecured, free of interest and without fixed repayment term.

The carrying amount of other payables of the Group approximates their fair value.

15. Borrowings

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Non-current		
Long-term bank borrowings	458,791	805,866
Corporate bonds (c)	2,792,406	1,594,555
Financing lease liabilities (d)	29,324	29,697
	3,280,521	2,430,118
Current		
Short-term bank borrowings	3,692,636	3,437,638
Long-term bank borrowings — current portion	654,840	270,041
	4,347,476	3,707,679
Total borrowings	7,627,997	6,137,797
Representing:		
— guaranteed (a)	210,108	196,642
— secured (b)(d)	97,966	73,082
— unguaranteed and unsecured	7,319,923	5,868,073
Total borrowings	7,627,997	6,137,797

(a) As at 30 June 2018, a bank borrowing of RMB31,598,000 was guaranteed by China Construction Bank (31 December 2017: RMB34,853,000); a bank borrowing of RMB14,000,000 was guaranteed by Xiamen Port Holding (31 December 2017: RMB28,000,000); and a bank borrowing of RMB164,510,000 was guaranteed by a non-controlling shareholder of a subsidiary (31 December 2017: RMB133,789,000).

(b) As at 30 June 2018, bank borrowings of RMB41,272,000 were secured by sea area use rights (31 December 2017: RMB41,272,000); and bank borrowings of RMB27,370,000 were secured by land use rights (31 December 2017: RMB2,113,000).

15. Borrowings (continued)

(c) On 29 June 2016, Xiamen Port Development Co., Ltd. ("XPD"), a subsidiary of the Company, issued the first tranche of the Corporate Bonds with a term of five years from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 3.25% per annum (the "2016 XPD First Tranche Corporate Bonds") on the Shenzhen Stock Exchange. Pursuant to the principal terms of the "2016 XPD First Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to increase the interest rate for the remaining term and the holders of the XPD First Tranche Corporate Bonds may put back all or part of their bonds to XPD at the nominal value.

On 25 October 2016, XPD issued the second tranche of the Corporate Bonds with a term of five years from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.02% per annum (the "2016 XPD Second Tranche Corporate Bonds") on the Shenzhen Stock Exchange. Pursuant to the principal terms of the "2016 XPD Second Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to increase the interest rate for the remaining term and the holders of the XPD Second Tranche Corporate Bonds may put back all or part of their bonds to XPD at the nominal value.

On 22 September 2017, the Company issued the first tranche of the Corporate Bonds with a term of five years from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 4.69% per annum (the "2017 XIP First Tranche Corporate Bonds") on the Shenzhen Stock Exchange. Pursuant to the principal terms of the "2017 XIP First Tranche Corporate Bonds", at the end of the third year of the term, the Company is entitled to increase the interest rate for the remaining term and the holders of the 2017 XIP First Tranche Corporate Bonds may put back all or part of their bonds to the Company at the nominal value.

On 26 April 2018, the Company issued the first tranche of the Corporate Bonds with a term of five years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 4.67% per annum (the "2018 XIP First Tranche Corporate Bonds") on the Shenzhen Stock Exchange. Pursuant to the principal terms of the "2018 XIP First Tranche Corporate Bonds", at the end of the third year of the term, the Company is entitled to increase the interest rate for the remaining term and the holders of the 2018 XIP First Tranche Corporate Bonds may put back all or part of their bonds to the Company at the nominal value.

(d) As at 30 June 2018, the finance lease liabilities of RMB29,324,000 were regarded as secured since the rights to the leased assets shall be reverted to the lessors in the event of default of the lease liabilities by the Group.

15. Borrowings (continued)

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
At 1 January	**6,137,797**	3,540,967
Additions through business combination	**—**	1,032,320
Other additions	**3,899,469**	2,413,224
Changes in amortised costs of corporate bonds	**2,941**	599
Changes in amortised costs of financing leases	**(373)**	—
Repayments	**(2,412,094)**	(1,869,895)
Exchange differences	**257**	(966)
At 30 June	**7,627,997**	5,116,249

Interests on borrowings for the six months ended 30 June 2018 is RMB150,732,000 (same period of 2017: RMB78,546,000).

16. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2018 and 31 December 2017	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 restrictions imposed by PRC law from time to time.

During the six months ended 30 June 2018 and 2017, there is no movement in the share capital of the Company.

17. 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 general manager of the Company who make strategic decisions.

17. Segment information (continued)

Chief operating decision-maker 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) comprehensive port logistic services; (4) manufacturing and selling of building materials; and (5) trading business of merchandise. As nearly 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 nearly 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 2018 and 2017 are as follows:

	Six months ended 30 June 2018 (Unaudited)					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
Total segment revenues	976,047	321,882	443,280	139,475	4,867,023	6,747,707
Inter-segment revenues	–	–	(136,882)	–	–	(136,882)
Revenues	976,047	321,882	306,398	139,475	4,867,023	6,610,825
Operating profit	374,245	29,683	80,969	(1,474)	36,285	519,708
Finance income						12,135
Finance costs						(145,113)
						386,730
Share of profits less losses of joint ventures	–	–	1,792	–	–	1,792
Share of profits less losses of associates	–	–	356	(865)	–	(509)
Profit before income tax						388,013
Income tax expense						(126,470)
Profit for the period						261,543
Other information						
Depreciation	161,224	73,966	42,119	2,622	3,006	282,937
Amortisation	45,113	12,279	3,258	67	2,001	62,718
Net provision/(reversal) for impairment of						
– inventories	142	–	(5)	–	–	137
– receivables	305	(500)	1,292	(275)	4,425	5,247

17. Segment information (continued)

The segment results provided to management for the reportable segments for the six months ended 30 June 2018 and 2017 are as follows (continued):

	Six months ended 30 June 2017 (Unaudited)					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
Total segment revenues	920,837	294,248	530,962	155,414	4,254,267	6,155,728
Inter-segment revenues	—	—	(132,478)	—	—	(132,478)
Revenues	920,837	294,248	398,484	155,414	4,254,267	6,023,250
Operating profit	545,095	45,077	84,913	11,031	14,497	700,613
Finance income						11,318
Finance costs						(77,528)
						634,403
Share of profits less losses of joint ventures	(987)	—	(1,095)	—	—	(2,082)
Share of profits less losses of associates	—	—	(1,323)	1,724	—	401
Profit before income tax						632,722
Income tax expense						(129,687)
Profit for the period						503,035
Other information						
Depreciation	129,452	56,161	33,979	2,057	2,890	224,539
Amortisation	38,209	8,627	4,674	124	1,978	53,612
Net provision for impairment of						
— inventories	45	—	—	—	2,921	2,966
— receivables	123	281	5,012	—	6,997	12,413

17. Segment information (continued)

The segment assets and liabilities provided to management for the reportable segments as at 30 June 2018 and 31 December 2017 is as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehen-sive port logistic 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 2018						
Segment assets	**12,245,297**	**3,864,871**	**2,533,305**	**274,166**	**1,524,960**	**20,442,599**
Including:						
Interests in joint ventures	**5,860**	**–**	**78,218**	**–**	**–**	**84,078**
Interests in associates	**–**	**–**	**45,284**	**6,028**	**–**	**51,312**
Additions to non-current assets	**68,267**	**40,491**	**144,730**	**455**	**3,742**	**257,685**
Segment liabilities	**747,026**	**292,932**	**713,118**	**118,389**	**417,725**	**2,289,190**
Audited						
As at 31 December 2017						
Segment assets	11,772,893	3,919,235	2,464,291	223,116	1,473,904	19,853,439
Including:						
Interests in joint ventures	5,860	–	67,426	–	–	73,286
Interests in associates	–	–	43,177	6,894	–	50,071
Additions to non-current assets	316,171	44,496	293,101	17,828	3,188	674,784
Segment liabilities	659,439	438,626	699,130	105,244	453,502	2,355,941

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 the management is measured in a manner consistent with that in the unaudited condensed consolidated interim financial statements.

Segment assets mainly exclude deferred income tax assets and fair value measurement of financial instruments. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable 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 condensed consolidated statement of profit or loss.

17. Segment information (continued)

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Total segment assets	20,442,599	19,853,439
Add: Deferred income tax assets	273,332	278,153
Financial assets at fair value through other comprehensive income	95,151	—
Financial assets at fair value through profit or loss	1,343,500	—
Available-for-sale financial assets	—	777,132
Total assets per consolidated balance sheet	22,154,582	20,908,724

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Total segment liabilities	2,289,190	2,355,941
Add: Deferred income tax liabilities	439,464	452,811
Taxes payable	72,192	118,688
Borrowings	7,627,997	6,137,797
Total liabilities per consolidated balance sheet	10,428,843	9,065,237

18. Other income

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Government subsidies	62,897	51,572
Rental income	34,281	33,293
Dividend income	9,655	—
Others	28,975	20,787
	135,808	105,652

19. Other (losses)/gains — net

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Gain on remeasuring existing interests upon acquisition	—	201,204
(Losses)/gains on disposal of property, plant and equipment	(1,438)	2,747
Others	1,062	(685)
	(376)	203,266

20. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Crediting:		
Dividend income	9,655	—
(Losses)/gains on disposal of property, plant and equipment	(1,438)	2,747
Reversal of impairment of		
— inventories	5	64
— receivables	3,853	1,850
Charging:		
Cost of inventories sold/consumed	5,079,971	4,406,704
Depreciation of		
— investment properties	3,578	2,649
— property, plant and equipment	279,359	221,890
Amortisation of		
— land use rights	55,899	46,534
— intangible assets	6,819	7,078
Provision for impairment of		
— inventories	142	3,030
— receivables	9,100	15,687

21. Finance income and costs

	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Interest income	**12,391**	10,352
Net foreign exchange (losses)/gains	**(256)**	966
	12,135	11,318
Interests on bank borrowings	**(150,732)**	(78,546)
Less: Amounts capitalised	**5,619**	1,018
	(145,113)	(77,528)
Finance costs — net	**(132,978)**	(66,210)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowing costs for the six months ended 30 June 2018 is 4.35% per annum (same period of 2017: 3.66%).

22. Income tax expense

Hong Kong profits tax has not been provided as there has been no estimated assessable profits for the period derived from Hong Kong (same period of 2017: Nil).

Trend Wood Investments Limited ("Trend Wood"), Xiamen Ocean Shipping Agency Hongkong Limited ("Hong Kong Ocean Shipping Agency") and Xiamen Port Haiheng (Hongkong) Limited ("Haiheng HongKong") are subsidiaries of the Company incorporated in Hong Kong and subject to Hong Kong profits tax rate of 16.5% (same period of 2017: 16.5%).

Approved by Xiamen Guo Shui Zhi Han [2008] No. 1 issued by State Administration of Taxation Xiamen Branch, Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal"), a subsidiary of the Company, is entitled to a five-year corporate income tax exemption from the first profitable year followed by a 50% reduction in corporate income tax for the subsequent five years, commencing from 2008. The PRC income tax rate for this subsidiary for the six months ended 30 June 2018 is 25% (same period of 2017: 12.5%).

22. Income tax expense (continued)

Approved by State Administration of Taxation Xiamen Branch, Xiamen Haiyu Terminal Co.,Ltd. ("Haiyu"), a subsidiary of the Company, is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The PRC income tax rate for this subsidiary for the six months ended 30 June 2018 is 12.5% (same period of 2017: 12.5%).

Except for Songyu Terminal, Haiyu, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng HongKong, the Company and other subsidiaries of the Company are subject to PRC income tax rate of 25% for the six months ended 30 June 2018 (same period of 2017: 25%).

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss represents:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
PRC corporate income tax expense	**126,916**	107,426
Deferred income tax charge	**(446)**	22,261
	126,470	129,687

23. Dividends

At the Board meeting held on 29 March 2018, the Board proposed a final dividend of RMB3.5 cents per share (tax inclusive) for the year ended 31 December 2017. The proposal was subsequently approved at the annual general meeting on 15 June 2018. The 2017 final dividend has been reflected as an appropriation of retained earnings during the six months ended 30 June 2018.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (same period of 2017: Nil).

24. 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	
	2018	2017
Profit attributable to owners of the Company (in RMB)	**115,214,000**	260,666,000
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)	**4.23**	9.56

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

25. Commitments

(a) Capital expenditure commitments

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred:	**826,501**	789,173

Committed capital expenditure as at 30 June 2018 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, renovation of buildings. These commitments were entered into by the Group with its suppliers before 30 June 2018 but the related capital expenditure had not been incurred as at that date.

(b) Commitment for deposit of build and transfer project

As at 30 June 2018, there was no commitment for deposit of build and transfer project (31 December 2017: RMB21,455,000).

26. Significant related party transactions

(a) During the six months ended 30 June 2018 and 2017, save as disclosed elsewhere in other notes of these condensed consolidated interim financial statements, the Group had the following significant transactions with related parties:

	Unaudited Six months ended 30 June 2018 RMB'000	Unaudited Six months ended 30 June 2017 RMB'000
Transactions with the parent company		
Revenues		
Electricity supply and maintenance services	**123**	508
Expenses		
Operating lease in respect of land, port facilities and office premises	**14,652**	14,158
Transactions with fellow subsidiaries		
Revenues		
Port services	**11,739**	12,259
Electricity supply and maintenance services	**11,680**	11,316
Trading sales	**2,556**	908
Expenses		
Office and property management	**3,151**	6,654
Operating lease in respect of land and office premises	**5,714**	8,734
Comprehensive service fees	**10,924**	10,794
Labour services	**33,130**	39,984
Project management services	**—**	2,524
Information services	**1,995**	3,368
Others		
Purchases of property, plant and equipment	**18,558**	41,227

26. Significant related party transactions (continued)

(a) During the six months ended 30 June 2018 and 2017, save as disclosed elsewhere in other notes of these condensed consolidated interim financial statements, the Group had the following significant transactions with related parties: (continued)

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Transactions with joint ventures		
Revenues		
Power supply and maintenance and electrical equipment maintenance	**63**	4,385
Transportation services	**—**	6,215
Loading and unloading services	**5,536**	12,398
Custom inspection services	**—**	1,225
Tally services	**—**	120
Operating lease in respect of land and office premises	**—**	5,987
Interest income on entrusted loans	**—**	3,414
Expenses		
Loading and unloading services	**13**	21,970
Transactions with other related parties		
Revenues		
Loading and unloading services	**71,128**	81,792
Expenses		
Purchases of commercial goods	**17,621**	21,321
Transactions with associates		
Revenues		
Transportation services	**2,103**	—

The above significant transactions with related parties are determined based on the terms mutually agreed by the parties involved.

26. 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 2018 RMB'000	Audited 31 December 2017 RMB'000
Balances with the parent company		
Accounts receivable	98	89
Other receivables and prepayments	56,737	24,455
Dividends payable	98,528	3,111
Accounts payable	13,898	10,123
Other payables and accruals	465	98
Balances with fellow subsidiaries		
Accounts receivable	27,318	32,438
Other receivables and prepayments	669	1,347
Accounts payable	80,846	72,813
Other payables and accruals	22,336	10,541
Balances with associates		
Accounts receivable	1,119	180
Accounts payable	171	—
Other payables and accruals	7,020	3,020
Balances with joint ventures		
Accounts receivable	1,562	5,054
Other receivables and prepayments	2,045	2,045
Accounts payable	466	453
Other payables and accruals	13,406	143
Balance with non-controlling shareholders of subsidiaries		
Dividends payable	42,951	—
Balances with other related parties		
Accounts receivable	37,181	46,480
Other receivables and prepayments	1,235	6,654
Accounts payable	9,223	3,058
Other payables and accruals	2,176	3,184

26. Significant related party transactions (continued)

(c) Key management compensation:

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,335**	1,941
Social security costs including contributions to pension plans	**316**	253
	2,651	2,194

27. Contingencies

In 2016, Xiamen Torch Group Logistics Co., Ltd. ("Torch Logistics") lodged a legal claim against Xiamen Port Transportation Co., Ltd. ("XPT"), a subsidiary of the Company for a payment of freight services provided. In 2018, XPT received first – instance verdicts from Xiamen People's Court of Huli District, which orders XPT to pay the freight fees plus interest to Torch Logistics. The directors of the Company, after consultation with their legal counsel, do not believe that there is legal basis for the accusation of the default on freight payment to Torch Logistics. XPT has made an appeal proceeding to Xiamen Intermediate People's Court. As at the date of issuance of these financial statements, the legal proceeding is still in process, the Company has not provided any liability for this legal claim in these financial statements.

28. Subsequent events

From 30 June 2018 up to the issuance of these condensed consolidated interim financial statements, there are no significant subsequent events affecting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS REVIEW

In the first half of 2018, amid the moderate recovery of the global economy, international trade maintained a rapid growth, but trade protectionism continued to elevate. In the critical period of structural adjustment, transformation and upgrading, China's economy continued to maintain a steady and positive development in general. China's gross domestic product ("GDP") in the first half of the year maintained a year-on-year growth of 6.8%; the total value of imports and exports of China recorded a year-on-year growth of 7.9%; and the surplus in imports and exports of goods narrowed. Facing the extremely complex and severe domestic and overseas economic and trade environment, the Group proactively confronted in the port competition, fully leveraged its advantages in both the integrated logistics supply chain of the port and the scale to propel the overall marketing efforts and the construction of green and smart ports, and deepened fine management and strengthened cost control and risk management to promote steady development of the production and operation of the Group, while striving to increase efficiency at lower costs and improve the business environment of the ports.

During the six months ended 30 June 2018, the Group recorded a revenue of approximately RMB6,610,825,000, representing an increase of approximately 9.8% as compared with approximately RMB6,023,250,000 in the same period of 2017. Profit attributable to the owners of the Company was approximately RMB115,214,000, representing a decrease of approximately 55.8% as compared with approximately RMB260,666,000 in the same period of 2017. Basic and diluted earnings per share attributable to the owners of the Company were approximately RMB4.23 cents (the same period of 2017: approximately RMB9.56 cents). The increase in revenue was mainly due to the increase in revenues from the trading business of merchandise, container loading and unloading and storage business of the Group. The decrease of profit attributable to the owners of the Company was mainly due to the investment income amounted to approximately RMB200,205,000 from the business combination of XICT in the first half of 2017, while no such investment income occurred in this period, which led to a decrease of profit attributable to the owners of the Company amounted to approximately RMB119,622,000. Excluding the investment income, profit attributable to the owners of the Company decreased by approximately RMB25,830,000 during this reporting period, representing a decrease of approximately 10.0%, which was mainly due to the decrease of operating profit of bulk/general cargo business.

BUSINESS REVIEW

The Group is principally engaged in the relevant port terminal businesses at thirty self-owned berths and seven leased berths in Dongdu port area and Haicang port area in Xiamen, three self-owned berths in Quanzhou port ("Huajin Terminal") and one leased berth in Qingzhou Operating Area in Fuzhou ("Fuzhou Zhongying Terminal"), including container port operations, bulk/general cargo port operations and ancillary value-added port services.

In addition, the Group is also engaged in the 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

In the first half of 2018, the Group achieved a total container throughput of 4,160,229 Twenty-foot Equivalent Units ("TEUs") in the container business. Details of the container throughput achieved by each terminal are as follows:

	Container throughput Six months ended 30 June		
	2018 (TEUs)	2017 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group#	**2,306,627**	2,030,118	13.6%
XICT and XHICT*	**432,990**	562,032	(23.0%)
Songyu Terminal⊕	**549,699**	647,179	(15.1%)
Xinhaida Terminal⊕	**601,837**	632,138	(4.8%)
Total throughput in Xiamen region	**3,891,153**	3,871,467	0.5%
Fuzhou Zhongying TerminalΔ	**125,845**	136,299	(7.7%)
Quanzhou Huajin Terminal☆	**143,231**	—	100%
Total throughput	**4,160,229**	4,007,766	3.8%

\# Since 1 January 2016, Xiamen Container Terminal Group Co., Ltd. ("Xiamen Terminal Group" or "XCTG") and Xiamen Hairun Container Terminals Co., Ltd. ("Hairun Terminal Company") have successively leased and operated Haitong Terminal (Songyu berths No. 4 to No. 6) from Xiamen Haitong Terminal Co., Ltd., a non-wholly owned subsidiary of Xiamen Port Holding, respectively, due to their business development requirements; since January 2017, Xiamen Terminal Group has leased relevant berths of Haixiang Terminal to operate container business. Therefore, for the purpose of operating information set out herein, the related operating figures of Haitian Terminal and Hairun Terminal included the figures relating to the container business of Dongdu berths No. 5 to No. 16, Haitong Terminal, berths No. 4, No. 5 and No. 6 in Haicang port area of Xiamen port and Haixiang Terminal.

* XICT and Xiamen Haicang International Container Terminals Ltd. ("XHICT") are the joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and 100% included in the port business. The Company adopted HKFRS 11 "Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures with the interest accounted for using equity method; pursuant to the relevant agreement and arrangement entered into on 28 November 2016, XHICT has become a subsidiary of the Group since then; pursuant to the relevant agreement and arrangement entered into on 15 May 2017, XICT has become a subsidiary of the Group since then.

⊕ Songyu Terminal and Xinhaida Terminal are terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group. The relevant operating figures of the above two terminals were 100% calculated into the port business.

Δ Since 20 November 2012, the Group leased and operated Fuzhou Zhongying Terminal from Fuzhou Zhongying Gangwu Co., Ltd. ("Zhongying Gangwu") for operating container and general cargo loading and unloading business and the port-related comprehensive logistics business.

☆ Quanzhou Huajin Terminal has been incorporated into the Group in late October 2017. Therefore, the relevant operating figures of the above terminal in the first half of 2018 were set out herein.

In the first half of 2018, the container business of the Group maintained a slight growth in general. The container business in Xiamen slightly increased by 0.5% over the same period of 2017, of which, the container throughput of the international trade was approximately 2.577 million TEUs in the first half of 2018, representing a decrease of approximately 3.8%, which was mainly due to the shift of the relevant routes of shipping companies to their associated terminals within Xiamen port, in response to the further development of the shipping company alliance and the up-sizing of vessels, resulting in the partial diversion of the container business of the international trade of the Group within Xiamen port. The container throughput of the domestic trade was approximately 1.3147 million TEUs in the first half of 2018, representing an increase of approximately 10.2%, which was mainly attributable to the business expansion of the domestic trade shipping companies within Xiamen port, driving the fast growth of the container business of the domestic trade, in particular, the transshipment business. The container business of Fuzhou Zhongying Terminal decreased by approximately 7.7% compared to the same period of 2017, which was mainly due to the fluctuation of the container business of the domestic trade of our key customers. In addition, the Group completed the acquisition of Quanzhou Huajin Terminal in late October 2017, which moderately increased the throughput of the container business of the Group in the first half of 2018.

In response to the above circumstances, the Group has proactively reinforced strategic cooperation with major shipping companies, strengthened marketing efforts in the headquarters and joint marketing, specifically took the corresponding business development strategies and strived to develop the port business. Meanwhile, the Group also continued to improve the service quality and the business environment in the ports and promoted the port clearance efficiency through service innovation and resource integration, so as to attract shipping routes and cargo resources and promote the sustainable development of its container business.

Bulk/General Cargo Port Business

In the first half of 2018, the bulk/general cargo throughput handled by the Group amounted to a total of 12,981,801 tonnes with details as follows:

	Bulk/general cargo throughput Six months ended 30 June		
	2018 (tonnes)	2017 (tonnes)	Increase/ (Decrease)
Hailong Terminal/Dongdu Terminal, ITG Terminal and Songyu Terminal#	**2,956,774**	4,342,801	(31.9%)
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal⊕	**8,931,912**	9,126,651	(2.1%)
Total throughput in Xiamen region	**11,888,686**	13,469,452	(11.7%)
Fuzhou Zhongying TerminalΔ	**27,199**	25,410	7.0%
Quanzhou Huajin Terminal*	**1,065,916**	—	100%
Total throughput	**12,981,801**	13,494,862	(3.8%)

Hailong Terminal (the berths No. 20 and No. 21 of Haicang port area of Xiamen port) has been put into trial operation since August 2016. Due to the relevant land and asset resumption of original Dongdu Terminal, the relevant bulk cargo business (including the grain bulk cargo business) at berth No. 2 has been relocated to Hailong Terminal for operation, while the other bulk/general cargo businesses have been gradually relocated to ITG Terminal(berths No. 20 and No. 21 in Dongdu port area), which has been leased respectively by Xiamen Port Development Co., Ltd. ("Xiamen Port Development") and Hailong Terminal Company successively since April 2014 for operation, from 1 April 2014. In addition, Xiamen Port Development and Hailong Terminal Company have successively and respectively leased parts of berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port from November 2009 to March 2018 and the relevant assets of XICT since 1 July 2015 for operation of the bulk/general cargo business; Hailong Terminal Company has leased the relevant berths of Haixiang Terminal for operation of the bulk/general cargo business since January 2017; and the general cargo business of Songyu Terminal has been taken over by Hailong Terminal Company since November 2017 for operation, all the relevant operating figures were 100% calculated in the port business. Therefore, for the purpose of the operational information set out herein, the relevant operating figures of bulk/general cargo of the relevant terminals of this table contained the related figures of the relevant berths of Hailong Terminal, ITG Terminal, Songyu Terminal, XICT Terminal and Haixiang as well as Mingda Terminal.

⊕ Shihushan Terminal and its subsidiaries, Haiyi Terminal, Haiyu Terminal have been incorporated into the Group at the end of November 2016. In addition, Shihushan Terminal has leased and operated Mingda Terminal since April 2018. Therefore, the relevant operating figures of the relevant terminals in this table contained the relevant operating figures of the above three terminals and Mingda Terminal.

Δ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operating its container and general cargo loading and unloading business, as well as its port-related comprehensive logistics business.

* Quanzhou Huajin Terminal has been incorporated into the Group at the end of October 2017. Therefore, the relevant operating figures of this terminal were set out herein accordingly.

The Group's bulk/general cargo business decreased as compared with the first half of 2017. The bulk/general cargo business in Xiamen decreased by approximately 11.7% as compared with the same period of last year, mainly due to the significant decrease in the import/export of sandstone as well as the export of grain and iron mine affected by the national policies in the PRC, Sino-US trade conflicts and market competition. Fuzhou Zhongying Terminal strengthened the window coordination of the operation time for vessel berthing, which effectively promoted the growth of the imported steel business of major customers, and the general cargo business increased by approximately 7.0% in the first half of the year as compared with the same period of last year. In addition, the Group completed the acquisition of Quanzhou Huajin Terminal in late October 2017, which moderately increased the throughput of the bulk/general cargo business of the Group in the first half of 2018.

In response to the above circumstances, the Group has further strengthened the marketing efforts targeting at major customers, promoted the integration of our internal resources in the bulk/general cargo business, accelerated the construction of the relevant supporting facilities at Hailong Terminal and Huajing Terminal, optimized the operational procedures and improved service efficiency, so as to increase the operation capacity and the business throughput.

Comprehensive Port Logistics Services

The comprehensive port logistics services of the Group mainly include various businesses, such as shipping agency, tallying, tugboat berthing and unberthing, and port-related logistics services. In the first half of 2018, the tugboat-assisted berthing and unberthing business of the Group maintained a steady growth in general. Although the expansion of the Group in the markets outside Xiamen port failed to meet the expectation, our operation within Xiamen port maintained a steady growth with relatively stable market share. Affected by, among other factors, the up-sizing of vessels, the development of the shipping company alliance and the keen market competition, the market share and rates of the shipping agency business declined to varying degrees. The continuous transformation and upgrading of the tallying business has continuously nurtured new business growth points and realized a steady improvement in the operating efficiency. Although the operating performance of the relevant businesses in the port-related logistics services was not as good as expected due to many factors, including the adjustment of domestic policies for the relevant types of cargos and the upgrading and adjustment of the internal business resources, our overall business scale has expanded, and new breakthroughs have been made in the cross-border e-commerce business.

Trading Business of Merchandise

In the first half of 2018, the Group operated its merchandise trading business by closely adhering to the operation concept of "Promoting Port with Trade, Driving Trade with Port and Combination of Port and Trade", innovated the mode, and carried out the trading business proactively and prudently on the basis of strengthening risk management and control. We focused on strengthening our strategic cooperation with large-scale state-owned customers to promote the interactive development of trade with our terminals and logistics enterprises. We have also mainly developed our core cargo businesses such as coal and chemicals that can contribute to the growth of our port throughput, in order to facilitate the sustainable and stable development of the Group's portside supply chain businesses and effectively achieve the integrated development between ports and trade.

FINANCIAL REVIEW

Revenue

Revenues of the Group increased by approximately 9.8% from approximately RMB6,023,250,000 for the six months ended 30 June 2017 to approximately RMB6,610,825,000 for the six months ended 30 June 2018. The increase was mainly due to the increase in revenues from the trading business of merchandise and container loading and unloading and storage business of the Group.

Revenue by business sector

Business	Six months ended 30 June 2018 (RMB'000)	2017 (RMB'000)	Increase/ (Decrease)
Container loading and unloading and storage business	**976,047**	920,837	6.0%
Bulk/general cargo loading and unloading business	**321,882**	294,248	9.4%
Comprehensive port logistics services	**306,398**	398,484	(23.1%)
Manufacturing and selling of building material	**139,475**	155,414	(10.3%)
Merchandise trading business	**4,867,023**	4,254,267	14.4%
Total	**6,610,825**	6,023,250	9.8%

The major reasons for the changes in the revenue of each business sector for the six months ended 30 June 2018 compared with the corresponding period of last year are as follows:

1. The container throughput of the Group has slightly increased for the six months ended 30 June 2018. The increase was mainly due to the consolidations of Xiamen Haicang Xinhaida Container Terminals Co., Ltd. (廈門海滄新海達集裝箱碼頭有限公司) ("Xinhaida Terminals") in March 2017 and XICT in May 2017 into the Group, when their revenues have since consolidated in the income statement for last period whereas six months of revenues were consolidated in this period, which led to the increase in the revenue of the container loading and unloading and storage business correspondingly;

2. The bulk/general cargo loading and unloading business volume increased largely compared to the same period of 2017. The increase was mainly due to the consolidation of Shishi City Terminal Storage and Transportation Co., Ltd. (石獅市華錦碼頭儲運有限公司)("Shishi Huajin") into the Group in November 2017, which led to the increase in the revenue;

3. The revenue of the comprehensive port logistics services decreased significantly in this period. The reason is that China Ocean Shipping Agency (Xiamen) Co., Ltd. (中國廈門外輪代理有限公司) failed to win the bids for the agency right of two major clients, which led to the decrease in the revenue;

4. Due to the sales volume decrease in concrete, the revenue of the manufacturing and selling of building materials business showed a downward trend in this period; and

5. The Group expanded the scale of trading business, which led to a significant increase in the revenue of the trading business of merchandise such as coal, silicon metal and textile.

Cost of Sales

Cost of sales of the Group increased by approximately 10.7% from approximately RMB5,454,853,000 for the six months ended 30 June 2017 to approximately RMB6,035,743,000 for the six months ended 30 June 2018. The increase was primarily due to the increases in the cost of inventories sold and employee's salary.

- Cost of inventories sold of the Group increased by approximately 15.3% from approximately RMB4,406,704,000 for the six months ended 30 June 2017 to approximately RMB5,079,971,000 for the six months ended 30 June 2018. The increase was mainly due to the Group's expansion of the scale of trading business and the increase in the volume of the trading business of merchandise, which led to the corresponding increase in cost.

- The Group's employee's salary increased by approximately 6.0% from approximately RMB393,861,000 for the six months ended 30 June 2017 to approximately RMB417,451,000 for the six months ended 30 June 2018. The increase was mainly due to the consolidation of Xinhaida Terminal, XICT and Shishi Huajin into the Group in 2017.

Other (Losses)/Gains — Net

Other (losses)/gains — net of the Group decreased by approximately 100.2% from a gain position with an amount of approximately RMB203,266,000 for the six months ended 30 June 2017 to a loss position with an amount of approximately RMB376,000 for the six months ended 30 June 2018. The decrease was mainly due to the investment income of approximately RMB200,205,000 gained from the acquisition of XICT in 2017 and a turn from a gain on disposal of property, plant and equipment of approximately RMB2,747,000 in 2017 to a loss of approximately RMB1,438,000 in 2018.

Liquidity, Financial Resources and Capital Structure

The Group mainly utilized its cash for investments, operating costs, construction of terminals and berths and repayment of loans. As at 30 June 2018, the balance of the Group's cash and cash equivalents amounted to approximately RMB1,278,840,000 (as at 31 December 2017: approximately RMB671,348,000). The increase was mainly due to the Company's new issue of debt securities and the new increase in bank borrowings of the subsidiary of the Company.

Borrowings of the Group increased by approximately 24.3% from approximately RMB6,137,797,000 as at 31 December 2017 to approximately RMB7,627,997,000 as at 30 June 2018. The increase in borrowings was mainly due to more new operating borrowings by XCTG. The balance of borrowings of XCTG amounted to RMB2,166,320,000 at the end of this period.

As at 30 June 2018, the guaranteed bank borrowings of the Group were approximately RMB210,108,000, which were guaranteed by state-owned banks (as at 31 December 2017: RMB196,642,000).

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 condensed consolidated interim balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" (as shown in the condensed consolidated interim balance sheet) plus net debt.

The gearing ratios as at 30 June 2018 and 31 December 2017 were as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Total borrowings	**7,627,997**	6,137,797
Less: cash and cash equivalents	**(1,278,840)**	(671,348)
Net debt	**6,349,157**	5,466,449
Total equity	**11,725,739**	11,843,487
Total capital	**18,074,896**	17,309,936
Gearing ratio (%)	**35.1%**	31.6%

As at 30 June 2018, the Group had a net debt position.

Other Financial Information

As at 30 June 2018, the financial assets at fair value through profit or loss of the Group increased from approximately RMB648,500,000 as at 31 December 2017 to approximately RMB1,343,500,000, the increase was mainly due to the fact that Group has subscribed certain new financial assets amounted to an aggregate of approximately RMB1,230,000,000 and redeemed the financial assets amounted to an aggregate of approximately RMB535,000,000 during this reporting period.

Capital Expenditure Commitments

As at 30 June 2018, the Group's capital expenditure commitments amounted to approximately RMB826,501,000, primarily consisting of expenditure for constructing and upgrading port and storage infrastructure, acquisition of new loading and unloading machinery and other machineries and building renovation.

Exchange Rate and Interest Rate Risk

The Group's bank borrowings are denominated in RMB, Hong Kong dollars and US dollars. To the extent that RMB appreciates (or depreciates) against Hong Kong dollars and US dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue of the Group is settled in foreign currencies, the fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Board believes that the fluctuation in RMB exchange rate had no material impact on the operating results and financial position of the Group as at 30 June 2018. The Group has not used any means to hedge its foreign currency exposure currently, nevertheless, the foreign currency exposure is still monitored by the Board, who will consider hedging any significant foreign currency exposure should the need arise.

Contingent Liabilities

In 2016, Xiamen Torch Group Logistics Co., Ltd. (廈門火炬集團物流有限公司)("Torch Logistics") lodged a legal claim against Xiamen Port Transportation Co., Ltd.(廈門港務運輸有限公司) ("XPT"), a subsidiary of the Company for a payment of freight services provided. In 2018, XPT received first-instance verdicts from Xiamen People's Court of Huli District, which orders XPT to pay the freight fees plus interest to Torch Logistics. The directors of the Company, after consultation with their legal counsel, do not believe that there is legal basis for the accusation of the default on freight payment to Torch Logistics. XPT has made an appeal proceeding to Xiamen Intermediate People's Court. As at the date of this report, the legal proceeding is still in process, the Company has not provided any liability for this legal claim in these financial statements.

EMPLOYEES

As at 30 June 2018, the Group had a total of 7,518 employees, representing a decrease of 54 employees as compared to 31 December 2017. Employees' remuneration package of the Group is determined by their positions, performance, qualifications and the prevailing industry practices. Employees may be granted with bonus and awards depending on the annual results of operations and the assessment of their performance. In addition, the grant of awards is an impetus to motivate each employee, while the enterprise annuity will enhance the pension insurance treatment of the employees after retirement. Employees are also entitled to public holidays and other holidays as stipulated by the relevant regulations.

ESTABLISHMENT OF NEW COMPANY

On 12 April 2018, Xiamen Road and Bridge Building Materials Co., Ltd. (廈門市路橋建材有限公司) ("Road and Bridge Building Materials"), a subsidiary of the Company, Heyuancheng (Xiamen) Supply Chain Management Co., Ltd (和源誠(廈門)供應鏈管理有限公司) ("Heyuancheng") and Dingxinchang (Xiamen) Industrial Co., Ltd (鼎信昌(廈門)實業有限公司) ("Dingxinchang"), jointly injected funds to establish Xiamen Port Building Materials Supply Chain Company Limited (廈門港務建材供應鏈有限公司) in Haicang District, Xiamen, which is principally engaged in the provision of building materials wholesale, supply chain management, non-metallic minerals and products wholesale, loading and unloading, domestic freight forwarding agency, road freight transportation (excluding dangerous goods transportation) and other related businesses. The registered capital of Xiamen Port Building Materials Supply Chain Company Limited is RMB50,000,000, which is held as to 51% by Road and Bridge Building Materials, 24.5% by Heyuancheng and 24.5% by Dingxinchang, and the relevant industrial and commercial registration procedures have been completed.

OTHER MAJOR EVENTS

On 26 April 2018, the Company has completed the issue of the first tranche of the corporate bonds in 2018 with a term of five years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 4.67% per annum (the "2018 First Tranche Corporate Bonds"). Pursuant to the principal terms of the 2018 First Tranche Corporate Bonds, at the end of the third year of the term, the Company is entitled to adjust the interest rate for the remaining term and the holders of the 2018 First Tranche Corporate Bonds may put back all or part of their bonds to the Company at the principal amount. The net proceeds from the issue of the 2018 First Tranche Corporate Bonds are principally used for satisfying working capital needs and adjusting the Company's debt structure (including, without limitation, repayment of bank loans) or other purposes not in violation of the relevant law and regulations. For details, please refer to the announcement of the Company dated 27 April 2018.

On 15 June 2018, shareholders at the Annual General Meeting of the Company have resolved and approved the new application by the Company to the China Securities Regulatory Commission ("CSRC") for the registration of the issue of new corporate bonds in China of the maximum aggregate principal amount not more than RMB4,000,000,000 within two years from the approval by the CSRC, and after the issue of the new corporate bonds, the accumulated outstanding amount of the corporate bonds of the Company shall not exceed 40% of its net asset value (including minority interest) at the end of the period as shown in the latest consolidated financial statement of the Company immediately before such issue, and the term of each tranche shall be from one year to not exceeding ten years; the above matters are subject to the approval of the relevant authorities of China. For details, please refer to the Company's announcements dated 29 March 2018 and 15 June 2018 and the Company's circular dated 27 April 2018.

At the same Annual General Meeting of the Company, the shareholders have also resolved and approved the new application by the Company to the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) ("NAFMII") for the registration of the issue of new super short-term notes in China of an aggregate maximum principal amount of RMB4,000,000,000 on a rolling basis for a period of two years from the completion of the registration at the NAFMII, and the term of each tranche of issue shall be not more than 270 days from the date of each tranche of issue; the above matters are subject to the approval of, and the completion of the relevant registration procedures with, the NAFMII. For details, please refer to the Company's announcements dated 29 March 2018 and 15 June 2018 and the Company's circular dated 27 April 2018.

SUBSEQUENT EVENTS

Since 30 June 2018 to the date of this report, there was no significant events affecting the Group.

PROSPECT AND OUTLOOK

In general, the domestic and international economic environment in the second half of the year will be relatively complex. On the one hand, the global economy is expected to demonstrate a trend of recovery on the whole, and the world economy and the international trade still maintaining sound fundamentals. According to the "Global Economic Prospects" report published by the World Bank in June this year, it is forecasted that the global economic growth rate will reach 3.1% in 2018. According to the relevant analysis of National Bureau of Statistics of the PRC and the General Administration of Customs of the PRC, the economic operation of China since the beginning of the year has maintained its steady yet progressive development momentum with various economic indicators steadily improved, and the manufacturing industry continued to expand, all of which has created favorable basic conditions for the growth of the import and export of China's foreign trade. On the other hand, given the instabilities and uncertainties in the international environment is expected to increase in the second half of the year, especially the unilateralist and trade protectionist measures taken by individual countries, the global trade will face severe challenges in its stable development. While maintaining their expectations on the global economic growth, the international bodies such as International Monetary Fund also highlighted the potential downside risks to the economic growth. As the structural reform at the supply side is entering a critical period against the salient contradiction of unbalanced and insufficient economic development, the economic operation will face numerous challenges. The evolving international ports and shipping markets, the continuous development of the shipping companies' alliance and the deepened integration of the port shipping enterprises have a broad impact on the layout of the shipping routes of shipping companies and the business development of ports. Confronting with the complex, changeable and stressful economic environment of ports and shipping companies, the Group will strengthen its confidence, proactively cope with various challenges, use its best efforts to capture market opportunities, always focus on cost-efficiency, proactively leverage its overall advantages and improve its operational efficiency, in a bid to deliver better returns on investments for all shareholders of the Company. Considering the actual circumstances, the Group will focus on the following tasks in the second half of the year:

- To strengthen the overall marketing. Firstly, the Group will conduct an in-depth study of the market, strengthen the market research and judgment, improve the overall marketing linkage response mechanism, take active measures to timely adjust the strategy of market development, solidify the customer relationship management and strive to maintain and expand the route business. Secondly, the Group will deepen ports-to-routes and ports-to-ports cooperation, strengthen the marketing of the shipping companies' headquarters, consolidate strategic cooperation with major shipping companies, and strive to acquire large shipping companies and the shipping companies' alliances, and hence position and develop the Xiamen port as a regional container hub port. Thirdly, the Group will explore market opportunities, strengthen targeted supporting policies, encourage the shipping companies to deploy internal and external trade container transit routes within Xiamen port, and jointly build the transit hub port in Xiamen together with the shipping companies, so as to promote continuous growth of container throughput.

- To explore the hinterlands of cargo sources. Firstly, the Group will promote the expansion of hinterlands and service extension. The Group will improve the network layout for the businesses at the sea and land hinterlands, stabilize the traditional cargo sources, expand the strategic cooperation space with the main cargo sources customers and lead the main cargo sources to Xiamen port and the Group's terminals. Secondly, the Group will accelerate the development of emerging markets, develop new types of cargos and new cargo sources, cultivate new business and profit growth points, and actively strive for the implementation of key cargo sources cooperation projects.

- To promote the quality and efficiency improvement. Firstly, the Group will promote and improve the customs clearance services at ports. The Group will enhance the implementation of the 2017 service commitments and the new service commitments of the Group in the first half of this year regarding the transit service insurance scheme, and will improve the business environment at ports, enhance the competitiveness of the terminal business and attract the trans-shipment cargos from Southeast Asia, the United States and other regions to Xiamen port. Secondly, the Group will proactively implement the "Sunshine Services throughout the Whole Process" with customers as the center, accelerate the service innovation and improve the quality of integrated port logistics services. Thirdly, the Group will improve the capability of terminal services. The Group will strengthen the transformation of equipment and facilities and upgrading of resources integration at its terminals, promote the opening of ports at relevant terminals and enhance the terminals' capacity of handling foreign trade cargos such as sandstone and stone materials.

- To promote the construction of green and smart ports. Firstly, the Group will promote the construction of port informatization. The Group will focus on boosting the smart port logistics platform demonstration projects and the container business platform project (phase II), and will promote the platform to cover the bulk cargo business; optimize, upgrade and promote the container intelligent tally operating system, and accelerate the automation transformation for related terminal yards and the remote control and renovation project for bridge cranes. Secondly, the Group will promote energy conservation and technological transformation. The Group will continue to promote the normal operation of the shore power supply project for vessels at its terminals, accelerate the construction progress of the cruise homeport 110KV substation and incremental power distribution business pilot project and promote the ship water supply project, with a view to building the green ports.

- To intensify the refined management. Firstly, the Group will strengthen cost management and control, reinforce the refined management of costs, deeply explore the cost synergies and potential and reduce the overall operating costs of the Group. Secondly, the Group will deepen resource integration, strengthen the construction of fund management platform, flexibly allocate resources, enhance the resource allocation capabilities and the efficiency of use, and strive to improve the operating efficiency of the Group. Thirdly, the Group will strengthen corporate governance and risk management, further improve the internal control system, and improve the level of enterprise management, so as to ensure the sound development of each business.

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

OTHER INFORMATION

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 30 June 2018:

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 2018.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend during the six months ended 30 June 2018 (same period of 2017: Nil).

SHARE OPTION SCHEME

The Company did not adopt any share option scheme.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2018, none of the directors of the Company ("Directors"), supervisors of the Company ("Supervisors"), chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Directors, Supervisors or chief executives of the Company were deemed or taken to be under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, so far as was known to the Directors, Supervisors or chief executives of the Company, the following persons (other than Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Class of Shares	Number of Shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic shares (Long Position)	1,721,200,000	Beneficial owner	98.95%	63.14%
	H shares (Long Position)	59,230,000 (note)	Interest of controlled corporation	6.00%	2.17%
Xiamen Haixia Investment Co., Ltd.	H shares (Long Position)	59,230,000 (note)	Interest of controlled corporation	6.00%	2.17%
Shia Ning Shipping Co., Ltd.	H shares (Long Position)	59,230,000 (note)	Beneficial owner	6.00%	2.17%

Note: The 59,230,000 shares referred to the same batch of shares as Xiamen Haixia Investment Co., Ltd. and Shia Ning Shipping Co., Ltd. were all directly or indirectly owned by Xiamen Port Holding and therefore by virtue of the SFO, Xiamen Port Holding was deemed to be interested in these shares.

Save as disclosed above, as at 30 June 2018, 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. In addition, no short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, the Group did not purchase, sell or redeem any listed securities of the Company.

MAJOR ACQUISITION AND DISPOSAL

During the six months ended 30 June 2018, the Group did not make any major acquisitions or disposals of its subsidiaries, joint ventures and associated companies.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high level of corporate governance standards to enhance the transparency of corporate governance and to ensure better protection of the interests of the shareholders as a whole.

The Company has been complying with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules and has adopted the Corporate Governance Code. For the six months ended 30 June 2018, the Company had complied with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code. Also, so far as was known to the Directors, no incident of non-compliance of the Corporate Governance Code was noted by or reported to the Company.

The Board

At the beginning of the reporting period, the fifth session of the Board comprised fourteen Directors, including four Executive Directors, namely Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong, five Non-executive Directors, namely Mr. CHEN Dingyu, Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan, respectively.

On 23 March 2018, Mr. CHEN Dingyu resigned from the position of Non-executive Director of the Company due to his reaching of the statutory retirement age. On 15 June 2018, a resolution was passed at the 2017 Annual General Meeting of the Company to appoint Ms. MIAO Luping as a Non-executive Director of the fifth session of the Board.

Accordingly, as at 30 June 2018, the fifth session of the Board comprised four Executive Directors, namely Mr. CAI Liqun (Chairman), Mr. FANG Yao (Vice Chairman), Mr. CHEN Zhaohui and Mr. KE Dong, five Non-executive Directors, namely Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

The Supervisory Committee

At the beginning of the reporting period, the fifth session of the Supervisory Committee of the Company comprised six Supervisors, including two Shareholders representative Supervisors, namely Mr. SU Yongzhong and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping, respectively.

On 23 March 2018, Mr. SU Yongzhong has resigned from the positions of Chairman and member of the Supervisory Committee of the Company due to his change of employment. The resignation of Mr. SU Yongzhong had not and will not cause the number of members of the Supervisory Committee of the Company to fall below the statutory minimum requirement, and had not and will not affect the normal operation of the Supervisory Committee.

Accordingly, as at 30 June 2018, the fifth session of the Supervisory Committee of the Company comprised one Shareholders representative Supervisor, Mr. ZHANG Guixian, two staff representative Supervisors, Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, Mr. TANG Jinmu and Mr. XIAO Zuoping.

Nomination Committee

The third session of the Nomination Committee of the Company comprises Mr. CAI Liqun, the Chairman and an Executive Director, and two Independent Non-executive Directors, Mr. LIN Pengjiu and Mr. JIN Tao. The Nomination Committee is chaired by Mr. CAI Liqun.

The primary functions of the Nomination Committee are: to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members and assess the independence of Independent Non-executive Directors, make recommendations to the Board on relevant matters relating to the succession planning for Directors, in particular, the Chairman and the general manager. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to the regulations.

Audit Committee

The fifth session of the Audit Committee of the Company comprises two Independent Non-executive Directors, Mr. LIU Feng and Mr. YOU Xianghua, and one Non-executive Director, Mr. FU Chengjing. The Audit Committee is chaired by Mr. LIU Feng.

The primary functions of the Audit Committee are: to propose the re-appointment, oversee the performance and approve the remuneration of the external auditors; to review the completeness and accuracy of the Company's financial accounts; to evaluate and supervise the Company's financial reporting procedures and to oversee the Company's risks management and internal control procedures and their effectiveness. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to the regulations.

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2018 and agreed with the accounting policies adopted by the Company.

Remuneration Committee

At the beginning of the reporting period, the fifth session of the Remuneration Committee of the Company comprised two Independent Non-executive Directors, Mr. YOU Xianghua and Mr. LIU Feng, and one Non-executive Director, Mr. CHEN Zhiping. The Remuneration Committee was chaired by Mr. YOU Xianghua. On 15 June 2018, Ms. MIAO Luping was appointed as a Non-executive Director of the fifth session of the Board and a member of the fifth session of the Remuneration Committee, and Mr. CHEN Zhiping ceased to be a member of the Remuneration Committee. Accordingly, as at 30 June 2018, the fifth session of the Remuneration Committee of the Company comprised two Independent Non-executive Directors, Mr. YOU Xianghua and Mr. LIU Feng and one Non-executive Director, Ms. MIAO Luping. The Remuneration Committee is chaired by Mr. YOU Xianghua.

The primary functions of the Remuneration Committee are: to formulate the remuneration policy for the Directors, Supervisors and senior management of the Group, review and formulate their remunerations and benefits, as well as make recommendations on the remunerations of Directors, Supervisors and senior management to the Board. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to regulations.

Business Strategy Committee

At the beginning of the reporting period, the fifth session of the Business Strategy Committee of the Company comprised five Directors, namely Independent Non-executive Director, Mr. JIN Tao, Executive Directors, Mr. CAI Liqun and Mr. CHEN Zhaohui, and Non-executive Directors, Mr. CHEN Dingyu and Ms. BAI Xueqing, the Business Strategy Committee was chaired by Mr. JIN Tao. On 23 March 2018, Mr. CHEN Dingyu resigned from the positions of Non-executive Director of the Company and the member of the Business Strategy Committee. On 15 June 2018, Mr. CHEN Zhiping, a Non-executive Director of the Company, was appointed as a member of the fifth session of the Business Strategy Committee of the Company. Accordingly, as at 30 June 2018, the fifth session of the Business Strategy Committee of the

Company comprised five Directors, namely Independent Non-executive Director, Mr. JIN Tao, Executive Directors, Mr. CAI Liqun and Mr. CHEN Zhaohui, and Non-executive Directors, Mr. CHEN Zhiping and Ms. BAI Xueqing. The Business Strategy Committee is chaired by Mr. JIN Tao.

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 abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to regulations.

Corporate Governance Committee

The second session of the Corporate Governance Committee of the Company comprises two Independent Non-executive Directors, Mr. LIN Pengjiu and Mr. JI Wenyuan and one Executive Director Mr. FANG Yao. The Corporate Governance Committee is chaired by Mr. LIN Pengjiu.

The primary functions of the Corporate Governance Committee are: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and relevant disclosure requirements. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to regulations.

Code for Securities Transactions by Directors and Supervisors

The Company originally adopted the Model Code set out in Appendix 10 to the Listing Rules, and with regard to the Company's actual circumstances, the Company prepared a Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standard set out in the Model Code. The Code was adopted as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the consideration and approval by the Board. 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 2018, and the Company had not been aware of any violations of the same during the six months ended 30 June 2018.

Amendments to the Articles of Association of the Company

In order to fully demonstrate the political core function of the Party organization of the state-owned enterprises and consolidate the legal status of such organization in the corporate governance structure, the Company has approved necessary amendments to the relevant articles of the Articles of Association by way of a special resolution in its 2017 Annual General Meeting held on 15 June 2018. For further details, please refer to the announcement and circular dated 27 April 2018 published by the Company.

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