



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 3378

2020
INTERIM REPORT



* For identification purpose only

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

22nd Floor, No. 31 Donggang North Road, Xiamen, PRC
Postal code: 361013

Tel: +86-592-5829478

Fax: +86-592-5613177

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

Contents

Corporate Information	2
Financial Highlights	3
Independent Review Report	4
Condensed Consolidated Balance Sheet	5
Condensed Consolidated Income Statement	7
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	11
Management Discussion and Analysis	41
Other Information	54





Corporate Information

EXECUTIVE DIRECTORS¹

CAI Liqun (*Chairman*)
CHEN Zhaohui
LIN Fuguang
CHEN Zhen

NON-EXECUTIVE DIRECTORS²

CHEN Zhiping
FU Chengjing
HUANG Zirong
BAI Xueqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Feng
LIN Pengjiu
YOU Xianghua
JIN Tao
JI Wenyuan

SUPERVISORS

DU Hongjia
ZHANG Guixian
LIAO Guosheng
LIU Xiaolong
TANG Jinmu
XIAO Zuoping

COMPANY SECRETARY

CAI Changzhen

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
Certified Public Accountants
Registered Public Interest Entity Auditor

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
Wan Chai
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. LIN Fuguang and Mr. CHEN Zhen both have been newly appointed as executive Directors since 28 February 2020.
2. Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Remuneration Committee on 24 June 2020.



Financial Highlights

The unaudited interim consolidated results for the six months ended 30 June 2020 (the “Reporting Period”)

	Six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change RMB'000
Revenues	7,455,139	6,560,689	894,450
Operating profit	453,976	575,363	(121,387)
Profit for the period	276,739	333,790	(57,051)
Profit attributable to owners of the Company	126,260	146,571	(20,311)
Earnings per share for profit attributable to owners of the Company during the period			
– Basic and diluted (in RMB cents)	4.63	5.38	(0.75)

Independent Review Report



羅兵咸永道

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

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

Introduction

We have reviewed the interim financial information set out on pages 5 to 40, 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 2020 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of 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, 28 August 2020

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Investment properties	6	149,296	158,793
Property, plant and equipment	6	11,655,498	11,762,442
Intangible assets	6	185,354	187,338
Right-of-use assets	6	4,135,095	4,221,091
Interests in joint ventures	7	110,177	107,020
Interests in associates	8	37,323	36,784
Financial assets at fair value through other comprehensive income	11	40,992	53,224
Long-term receivables and prepayments	10	8,954	1,537
Deferred income tax assets		264,993	268,461
Total non-current assets		16,587,682	16,796,690
Current assets			
Inventories		1,228,994	1,209,735
Accounts receivable	9	1,529,445	1,087,034
Other receivables and prepayments	10	954,385	917,532
Financial assets at fair value through other comprehensive income	11	131,400	90,905
Financial assets at fair value through profit or loss	11	108,600	261,705
Term deposits with initial term over three months		1,032,312	650,187
Restricted cash		52,354	35,730
Cash and cash equivalents		1,886,081	1,883,432
Total current assets		6,923,571	6,136,260
Total assets		23,511,253	22,932,950
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	2,726,200	2,726,200
Reserves		2,968,851	2,921,184
Non-controlling interests		5,695,051	5,647,384
		6,631,924	6,726,742
Total equity		12,326,975	12,374,126

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	2,029,187	3,356,160
Deferred government grants and income		113,144	119,852
Long-term payables and advances	13	1,704	1,744
Lease liabilities		67,764	181,214
Deferred income tax liabilities		418,215	421,692
Total non-current liabilities		2,630,014	4,080,662
Current liabilities			
Accounts and notes payable	12	1,691,134	1,264,205
Contract liabilities		456,153	417,418
Other payables and accruals	13	845,384	593,361
Borrowings	14	5,417,098	4,082,174
Lease liabilities		62,639	63,277
Provisions		9,021	9,021
Taxes payable		58,757	48,706
Derivative financial instruments		14,078	—
Total current liabilities		8,554,264	6,478,162
Total liabilities		11,184,278	10,558,824
Total equity and liabilities		23,511,253	22,932,950

The notes on pages 11 to 40 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Note	Unaudited	
		Six months ended 30 June 2020 RMB'000	2019 RMB'000
Revenues	16	7,455,139	6,560,689
Cost of sales	19	(6,892,026)	(5,948,363)
Gross profit		563,113	612,326
Other income	17	118,814	151,884
Other (losses)/gains – net	18	(19,273)	24,629
Selling and marketing expenses	19	(25,803)	(34,016)
General and administrative expenses	19	(181,159)	(180,618)
Net impairment (losses)/reversals on financial assets		(1,716)	1,158
Operating profit		453,976	575,363
Finance income	20	30,581	14,689
Finance costs	20	(118,066)	(131,258)
		366,491	458,794
Share of profits less losses of joint ventures	7	3,157	(1,831)
Share of profits less losses of associates	8	2,831	3,808
Profit before income tax		372,479	460,771
Income tax expense	21	(95,740)	(126,981)
Profit for the period		276,739	333,790
Profit attributable to:			
Owners of the Company		126,260	146,571
Non-controlling interests		150,479	187,219
		276,739	333,790
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (in RMB cents)	23	4.63	5.38

The notes on pages 11 to 40 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	276,739	333,790
Other comprehensive income for the period, net of tax		
Items that will not be reclassified to profit or loss		
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	(10,438)	2,989
Total comprehensive income for the period	266,301	336,779
Total comprehensive income for the period attributable to:		
– Owners of the Company	115,822	149,560
– Non-controlling interests	150,479	187,219
	266,301	336,779

The notes on pages 11 to 40 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 2020

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2019	2,726,200	(336,952)	2,974,764	5,364,012	6,604,653	11,968,665
Comprehensive income						
Profit for the period	–	–	146,571	146,571	187,219	333,790
Other comprehensive income:						
Fair value gains on fair value measurement of financial assets	–	2,989	–	2,989	–	2,989
– Gross	–	3,986	–	3,986	–	3,986
– Related deferred income tax	–	(997)	–	(997)	–	(997)
Total comprehensive income for the six months ended 30 June 2019	–	2,989	146,571	149,560	187,219	336,779
Transactions with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	31,383	31,383
2018 final dividend	–	–	(54,524)	(54,524)	–	(54,524)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(262,010)	(262,010)
Balance at 30 June 2019	2,726,200	(333,963)	3,066,811	5,459,048	6,561,245	12,020,293
Balance at 1 January 2020	2,726,200	(256,434)	3,177,618	5,647,384	6,726,742	12,374,126
Comprehensive income						
Profit for the period	–	–	126,260	126,260	150,479	276,739
Other comprehensive income:						
Fair value losses on fair value measurement of financial assets	–	(10,438)	–	(10,438)	–	(10,438)
– Gross	–	(13,917)	–	(13,917)	–	(13,917)
– Related deferred income tax	–	3,479	–	3,479	–	3,479
Total comprehensive income for the six months ended 30 June 2020	–	(10,438)	126,260	115,822	150,479	266,301
Transactions with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	39,450	39,450
2019 final dividend	–	–	(68,155)	(68,155)	–	(68,155)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(284,747)	(284,747)
Balance at 30 June 2020	2,726,200	(266,872)	3,235,723	5,695,051	6,631,924	12,326,975

The notes on pages 11 to 40 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Net cash generated from operations	714,595	647,851
Interest paid	(112,691)	(140,909)
Income tax paid	(85,689)	(156,385)
Net cash generated from operating activities	516,215	350,557
Cash flows from investing activities		
Purchases of property, plant and equipment, intangible assets	(177,760)	(261,653)
Proceeds from settlement of property, plant and equipment	1,577	23,439
Capital injection to a joint venture	—	(5,989)
Interest received	25,527	14,689
Dividends received	5,480	6,873
Proceeds from settlement of wealth management products	717,683	725,102
Purchases of wealth management products	(533,800)	(75,154)
Purchases of financial assets at fair value through profit or loss	(33,855)	—
Proceeds from disposal of held-for-sale assets	—	21,772
Net (increase)/decrease in restricted cash	(16,624)	3,971
Net increase in term deposits with initial term over three months	(382,125)	(563,376)
Net cash used in investing activities	(393,897)	(110,326)
Cash flows from financing activities		
Proceeds from borrowings	4,147,974	3,873,882
Repayments of borrowings	(4,143,882)	(2,969,550)
Settlements of lease liabilities	(114,441)	(27,823)
Loan from related parties	6,000	32,000
Repayments of loan from a related party	(6,000)	—
Contribution from non-controlling shareholders of subsidiaries	39,450	31,383
Dividends paid to non-controlling shareholders of subsidiaries	(50,073)	(277,425)
Net cash (used)/generated from financing activities	(120,972)	662,467
Net increase in cash and cash equivalents	1,346	902,698
Cash and cash equivalents at beginning of period	1,883,432	681,633
Exchange gains on cash and cash equivalents	1,303	149
Cash and cash equivalents at end of period	1,886,081	1,584,480

The notes on pages 11 to 40 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

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; 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 the parent company of the Company.

The 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 28 August 2020.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2020 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 2019, 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 2019, 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 amendments and interpretation of HKFRSs effective for the financial year ending 31 December 2020 as described in note (a) below.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

3. Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(a) Amendments and interpretation adopted by the Group in 2020

The following amendments and interpretation of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2020:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Regarding definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Regarding definition of material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Regarding interest rate benchmark reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

The amendments and interpretation did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

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

The following new standard, amendments and interpretation of HKFRSs have been published but are not mandatory for the Group's accounting periods beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	30 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual Framework	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Improvements to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

4. Estimates

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

In preparing 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 for the year ended 31 December 2019.

5. Financial risk management

5.1 Financial risk factors

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

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 2019.

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

5.2 Liquidity risk

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

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

As at 30 June 2020, the Group's current liabilities exceeded to current assets by RMB1,631 million. As at 30 June 2020, the available unused bank facilities of the Group amounted to RMB12,521 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 end of reporting period of these condensed consolidated interim financial statements. As a result, these condensed consolidated interim financial statements are prepared on going-concern basis.

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 2020				
Bank borrowings	5,601,656	1,309,010	434,923	569,131
Lease liabilities	68,534	49,459	22,182	—
Long-term payables and advances	42	45	150	1,467
Accounts and notes payable	1,691,134	—	—	—
Other payables and accruals	845,384	—	—	—
	8,206,750	1,358,514	457,255	570,598
Audited				
At 31 December 2019				
Bank borrowings	4,300,383	2,462,955	628,953	590,379
Lease liabilities	70,657	77,674	109,910	—
Long-term payables and advances	40	42	146	1,516
Accounts and notes payable	1,264,205	—	—	—
Other payables and accruals	593,361	—	—	—
	6,228,646	2,540,671	739,009	591,895

The amounts of bank borrowings and lease liabilities include future interest payments computed using contractual rates or incremental borrowing rate.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

5. Financial risk management (continued)

5.3 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020:

	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at fair value through other comprehensive income	34,329	—	138,063	172,392
Financial assets at fair value through profit or loss	30,778	—	77,822	108,600

	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Liabilities				
Derivative financial instruments	14,078	—	—	14,078

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

5. Financial risk management (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019:

	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at fair value through other comprehensive income	48,246	—	95,883	144,129
Financial assets at fair value through profit or loss	—	—	261,705	261,705

During the six months ended 30 June 2020, there are no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

5.4 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:

- Cash and cash equivalents
- Accounts receivable
- Other receivables and prepayments
- Term deposits with initial term over three months
- Restricted cash
- Accounts and notes payable
- Other payable and accruals
- Borrowings
- Lease liabilities
- Long-term payables

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

6. Property, plant and equipment, investment properties, intangible assets and right-of-use assets

	Unaudited				
	Investment properties	Property, plant and equipment	Intangible assets	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at 1 January 2020	158,793	11,762,442	187,338	4,221,091	16,329,664
Additions	—	178,964	1,586	3,625	184,175
Transfer	(5,702)	4,701	1,001	—	—
Disposals	—	(1,879)	(2)	—	(1,881)
Depreciation and amortisation charge	(3,795)	(288,730)	(4,569)	(89,621)	(386,715)
Net book amount as at 30 June 2020	149,296	11,655,498	185,354	4,135,095	16,125,243

	Unaudited					
	Investment properties	Property, plant and equipment	Intangible assets	Right-of-use assets	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at 1 January 2019	165,011	11,786,311	628,228	—	3,580,871	16,160,421
Adjustment for change in accounting policy	—	(80,967)	(441,183)	4,322,278	(3,580,871)	219,257
Restated opening net book amount as at 1 January 2019	165,011	11,705,344	187,045	4,322,278	—	16,379,678
Additions	2,144	221,459	1,622	9,339	—	234,564
Government grants	—	(5,464)	—	—	—	(5,464)
Transfer	(2,901)	2,448	453	—	—	—
Disposals	—	(22,075)	—	—	—	(22,075)
Depreciation and amortisation charge	(3,614)	(281,507)	(4,341)	(106,516)	—	(395,978)
Net book amount as at 30 June 2019	160,640	11,620,205	184,779	4,225,101	—	16,190,725

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

7. Interests in joint ventures

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At 1 January	107,020	68,993
Additions	—	33,942
Share of results before income tax	4,427	(1,370)
Share of income tax expense	(1,270)	(461)
	3,157	(1,831)
At 30 June	110,177	101,104

8. Interests in associates

Movement in interests in associates is set out as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At 1 January	36,784	38,752
Dividends received	(2,292)	(960)
Share of results before income tax	3,985	5,077
Share of income tax expense	(1,154)	(1,269)
	2,831	3,808
At 30 June	37,323	41,600

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

9. Accounts receivable

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts receivable	1,573,585	1,117,903
Due from parent company (Note 25(b))	317	—
Due from fellow subsidiaries (Note 25(b))	19,028	13,558
Due from joint ventures (Note 25(b))	293	34
Due from associates (Note 25(b))	—	931
Due from other related parties (Note 25(b))	23,845	41,411
	1,617,068	1,173,837
Less: Expected credit loss allowance	(87,623)	(86,803)
	1,529,445	1,087,034

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 three 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.

For the receivables with pledged collaterals, the fair value of pledged collaterals are sufficient to cover the carrying amounts of the respective receivables.

Aging analysis of accounts receivable (including amounts due from parent company, fellow subsidiaries, joint ventures, associates and other related parties) based on invoice date at respective balance sheet dates are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Less than 3 months	942,086	582,481
3 months to 6 months	458,420	118,760
6 months to 1 year	79,013	360,617
1 year to 2 years	48,133	20,118
2 years to 3 years	1,863	1,851
Over 3 years	87,553	90,010
	1,617,068	1,173,837
Less: Expected credit loss allowance	(87,623)	(86,803)
	1,529,445	1,087,034

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Other receivables (a)	410,864	360,676
Advances to suppliers	484,694	514,385
	895,558	875,061
Due from parent company (Note 25(b))	12,856	29,087
Due from fellow subsidiaries (Note 25(b))	1,554	880
Due from joint ventures (Note 25(b))	2,046	2,061
Due from other related parties (Note 25(b))	1,057	1,462
Prepayments and deposits	77,183	39,767
Interest receivable	5,054	—
	995,308	948,318
Less: Expected credit loss allowance	(31,969)	(29,249)
	963,339	919,069
Less: Long-term receivables and prepayments		
— Prepayments for acquisition of property, plant and equipment	(8,954)	(1,537)
Current portion	954,385	917,532

- (a) The balance mainly represents receivable for a Build-Transfer (“BT”) project of RMB47,753,000 (31 December 2019: RMB49,574,000) and VAT to be deducted of RMB228,228,000 (31 December 2019: RMB218,460,000).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

11. Fair value measurement of financial instruments

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income		
Equity investments listed in the PRC, at fair value	34,329	48,246
Unlisted equity investments	6,663	4,978
Notes receivable	131,400	90,905
	172,392	144,129
Financial assets at fair value through profit or loss		
Equity investments listed in the PRC, at fair value	30,778	—
Wealth management products (a)	77,822	261,705
	108,600	261,705

- (a) As at 30 June 2020, the Group held certain wealth management products of RMB77,822,000 (31 December 2019: RMB261,705,000). As at 30 June 2020, fair value losses amounted to RMB50,000,000 (31 December 2019: RMB50,000,000) was recognized for certain past due wealth management products with carrying amount of RMB119,500,000 (31 December 2019: RMB120,000,000).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

12. Accounts and notes payable

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts payable	975,086	800,193
Due to parent company (Note 25(b))	10,041	2,136
Due to fellow subsidiaries (Note 25(b))	113,715	82,697
Due to joint ventures (Note 25(b))	—	592
Due to other related parties (Note 25(b))	244	11,016
Notes payable	592,048	367,571
	1,691,134	1,264,205

Aging analysis of accounts and notes payable (including amounts due to parent company, fellow subsidiaries, joint ventures and other related parties) based on invoice date at respective balance sheet dates are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Within 1 year	1,501,630	1,158,436
1 year to 2 years	155,663	69,941
2 years to 3 years	20,049	19,734
Over 3 years	13,792	16,094
	1,691,134	1,264,205

Note payables are with average maturity dates of within 6 months.

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Due to parent company (Note 25(b))	78	78
Due to fellow subsidiaries (Note 25(b))	9,317	3,887
Due to associates (Note 25(b))	16,203	16,000
Due to joint ventures (Note 25(b))	50	307
Due to other related parties (Note 25(b))	—	860
Payables for purchases of property, plant and equipment and construction-in-progress	78,490	68,283
Salary and welfare payables	156,824	242,621
Customer deposits	42,005	25,114
Accrued expenses	4,217	3,828
Dividends payable to		
— owner of the company (Note 25(b))	71,266	3,111
— non-controlling shareholders of subsidiaries (Note 25(b))	285,324	50,650
Interest payable	72,673	67,298
Payables for business combinations	62,561	62,561
Other payables	48,080	50,507
	847,088	595,105
Less: Long-term payables and advances	(1,704)	(1,744)
Current portion	845,384	593,361

As at 30 June 2020, the payables due to parent company, fellow subsidiaries, joint ventures and associates are unsecured, interest free and without fixed repayment term, except for borrowings of RMB16,000,000 from associates bearing interest of 4.35% with fixed repayment terms within 1 year.

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

14. Borrowings

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Non-current		
Long-term bank borrowings	1,015,839	1,057,549
Debentures (c)	1,013,348	2,298,611
	2,029,187	3,356,160
Current		
Short-term bank borrowings	821,320	2,247,013
Long-term bank borrowings – current portion	57,479	35,694
Debentures (d)	4,538,299	1,799,467
	5,417,098	4,082,174
Total borrowings	7,446,285	7,438,334
Representing:		
– guaranteed (a)	465,330	456,031
– secured (b)	145,630	105,709
– unguaranteed and unsecured	6,835,325	6,876,594
Total borrowings	7,446,285	7,438,334

(a) As at 30 June 2020, a bank borrowing of RMB15,904,000 was guaranteed by China Construction Bank (31 December 2019: RMB20,406,000); and bank borrowings of RMB449,426,000 were guaranteed by several non-controlling shareholders of several subsidiaries (31 December 2019: RMB435,625,000).

(b) As at 30 June 2020, bank borrowings of RMB86,343,000 were secured by the Group's land use rights (31 December 2019: RMB58,709,000) and bank borrowing of 59,287,000 were secured by the Group's sea use rights (31 December 2019: RMB47,000,000).

14. Borrowings (continued)

- (c) On 25 October 2016, Xiamen Port Development Co. Ltd (“XPD”) issued the second tranche of Corporate Bonds with a term of five year 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 “XPD Second Tranche Corporate Bonds”) on the ShenZhen Stock Exchange. Pursuant to the principal terms of the “XPD Second Tranche Corporate Bonds”, at the end of the third year of the term, XPD is entitled to adjust the interest rate for the remaining term and the holders of the “XPD Second Tranche Corporate Bonds” may sell back all or part of their bonds to XPD at the nominal value. As at 20 October 2019, the holders of the “XPD Second Tranche Corporate Bonds” have completed the registration and sold back of the “XPD Second Tranche Corporate Bonds” with a total principal amount of RMB386,700,000. From then on, the holders no longer own the right to sell back the remaining balance to the issuer. Therefore, the rest part of the “XPD Second Tranche Corporate Bonds” with a total principal amount of RMB113,300,000 was reclassified into long-term debentures in this period. The interest rate per annum remains unchanged.

On 12 November 2018, the Company issued the second tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB900,000,000 at a fixed interest rate of 4.08% per annum (the “2018 XIP Second Tranche Corporate Bonds”) on the ShenZhen Stock Exchange. Pursuant to the principal terms of the “2018 XIP Second 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 XIP Second Tranche Corporate Bonds” may sell back all or part of their bonds to the Company at the nominal value.

- (d) On 22 September 2017, the Company issued the first tranche of Corporate Bonds with a term of five year 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 adjust the interest rate for the remaining term and the holders of the “2017 XIP First Tranche Corporate Bonds” may sell back all or part of their bonds to the Company at the nominal value. As at 30 June 2020, the “2017 XIP First Tranche Corporate Bonds” with a total principal amount of RMB500,000,000 has been reclassified into liquid debentures in this period.

On 26 April 2018, the Company issued the first tranche of Corporate Bonds with a term of five year 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 adjust the interest rate for the remaining term and the holders of the “2018 XIP First Tranche Corporate Bonds” may sell back all or part of their bonds to the Company at the nominal value. As at 30 June 2020, the “2018 XIP First Tranche Corporate Bonds” with a total principal amount of RMB1,200,000,000 has been reclassified into liquid debentures in this period.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

14. Borrowings (continued)

(d) (continued)

On 29 June 2016, XPD issued the first tranche of Corporate Bonds with a term of five year 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 "XPD First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XPD First Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to adjust the interest rate for the remaining term and the holders of the "XPD First Tranche Corporate Bonds" may sell back all or part of their bonds to XPD at the nominal value. As at 28 June 2019, the holders of the "XPD First Tranche Corporate Bonds" have completed the registration and sold back of the "XPD First Tranche Corporate Bonds" with a total principal amount of RMB510,000,000. The rest part of the "XPD First Tranche Corporate Bonds" with a total principal amount of RMB90,000,000 was reclassified into liquid debentures in this period.

On 27 February 2020, the Company issued the first Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB950,000,000 at a fixed interest rate of 2.50% per annum (the "First Tranche Super Short-term Notes").

On 13 March 2020, the Company issued the second Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 2.48% per annum (the "Second Tranche Super Short-term Notes").

On 8 April 2020, the Company issued the third Super Short-Term Notes with a term of 91 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 1.94% per annum (the "Third Tranche Super Short-Term Notes").

On 22 April 2020, the Company issued the fourth Super Short-Term Notes with a term of 177 days from the date of issue with a total principal amount of RMB300,000,000 at a fixed interest rate of 1.73% per annum (the "Fourth Tranche Super Short-Term Notes").

On 14 May 2020, the Company issued the fifth Super Short-Term Notes with a term of 90 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 1.75% per annum (the "Fifth Tranche Super Short-Term Notes").

On 3 June 2020, the Company issued the sixth Super Short-Term Notes with a term of 93 days from the date of issue with a total principal amount of RMB200,000,000 at a fixed interest rate of 1.58% per annum (the "Sixth Tranche Super Short-Term Notes").

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

14. Borrowings (continued)

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At 1 January	7,438,334	6,530,259
Financing lease reclassified into lease liabilities	–	(80,967)
Other additions	4,147,974	3,873,882
Changes in amortised costs of corporate bonds	3,568	4,109
Repayments	(4,143,882)	(2,969,550)
Exchange differences	291	59
At 30 June	7,446,285	7,357,792

15. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2020 and 31 December 2019	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 2020 and 2019, there is no movement in the share capital of the Company.

16. Segment information

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

The 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) merchandise trading business. Substantially 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 substantially all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, the chief operating decision-maker did not evaluate segment on geographical basis.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

16. Segment information (continued)

The segment results provided to the chief operating decision-maker for the reportable segments for the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June 2020 (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	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	873,752	364,350	490,790	162,228	5,726,432	7,617,552
Inter-segment revenues	–	–	(162,413)	–	–	(162,413)
Revenues	873,752	364,350	328,377	162,228	5,726,432	7,455,139
Operating profit	301,941	47,872	78,716	(2,310)	27,757	453,976
Finance income						30,581
Finance costs						(118,066)
						366,491
Share of profits less losses of joint ventures	–	–	3,157	–	–	3,157
Share of profits less losses of associates	–	–	3,597	(766)	–	2,831
Profit before income tax						372,479
Income tax expense						(95,740)
Profit for the period						276,739
Other information						
Depreciation	180,629	70,235	36,311	2,377	2,973	292,525
Amortisation	62,486	20,962	8,705	26	2,011	94,190
Reversal of impairment of inventories	(523)	–	(3)	–	(9,087)	(9,613)
Net impairment (reversals)/losses on financial assets	780	(1,338)	(3,194)	(1,429)	6,897	1,716

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

6. Segment information (continued)

The segment results provided to the chief operating decision-maker for the reportable segments for the six months ended 30 June 2020 and 2019 are as follows (continued):

	Six months ended 30 June 2019 (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	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	1,000,962	387,128	549,918	220,139	4,569,744	6,727,891
Inter-segment revenues	–	–	(167,202)	–	–	(167,202)
Revenues	1,000,962	387,128	382,716	220,139	4,569,744	6,560,689
Operating profit	362,342	61,484	106,418	194	44,925	575,363
Finance income						14,689
Finance costs						(131,258)
						458,794
Share of profits less losses of joint ventures	–	–	(1,831)	–	–	(1,831)
Share of profits less losses of associates	–	–	3,054	754	–	3,808
Profit before income tax						460,771
Income tax expense						(126,981)
Profit for the period						333,790
Other information						
Depreciation	167,222	69,612	42,923	2,080	3,284	285,121
Amortisation	72,789	24,275	11,720	47	2,026	110,857
Provision for/(reversal of) impairment of inventories	(38)	99	–	(120)	19,856	19,797
Net impairment (reversals)/losses on financial assets	(267)	3	(1,484)	(1,002)	1,592	(1,158)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

16. Segment information (continued)

The segment assets and liabilities provided to the chief operating decision-maker for the reportable segments as at 30 June 2020 and 31 December 2019 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	Merchandise trading business RMB'000	Total RMB'000
Unaudited						
As at 30 June 2020						
Segment assets	13,175,073	4,766,651	2,231,150	273,926	2,518,468	22,965,268
Including:						
Interests in joint ventures	6,020	–	104,157	–	–	110,177
Interests in associates	–	–	31,923	5,400	–	37,323
Additions to non-current assets	39,256	110,692	32,505	1,457	265	184,175
Segment liabilities	795,558	233,088	760,681	102,344	1,355,272	3,246,943
Audited						
As at 31 December 2019						
Segment assets	12,542,265	4,754,379	2,669,361	236,128	2,056,522	22,258,655
Including:						
Interests in joint ventures	6,020	–	101,000	–	–	107,020
Interests in associates	–	–	30,619	6,165	–	36,784
Additions to non-current assets	209,289	168,974	391,650	2,197	944	773,054
Segment liabilities	660,089	272,399	638,257	97,387	981,960	2,650,092

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

Segment assets mainly exclude deferred income tax assets, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable, borrowings and derivative financial instruments. 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 chief operating decision-maker is measured in a manner consistent with that in the consolidated income statement.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

16. Segment information (continued)

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Total segment assets	22,965,268	22,258,655
Add: Deferred income tax assets	264,993	268,461
Financial assets at fair value through other comprehensive income	172,392	144,129
Financial assets at fair value through profit or loss	108,600	261,705
Total assets per consolidated balance sheet	23,511,253	22,932,950

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Total segment liabilities	3,246,943	2,650,092
Add: Deferred income tax liabilities	418,215	421,692
Taxes payable	58,757	48,706
Borrowings	7,446,285	7,438,334
Derivative financial instruments	14,078	–
Total liabilities per consolidated balance sheet	11,184,278	10,558,824

17. Other income

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Government subsidies	85,492	91,987
Rental income	29,084	24,540
Dividend income	3,188	6,873
Others	1,050	28,484
	118,814	151,884

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

18. Other (losses)/gains – net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Gains on fair value movements of derivative financial instruments		
– Unrealised gains	(14,348)	20,575
– Realised gains	(4,835)	4,820
Gains on disposal of hold-for-sale assets	–	10,313
(Losses)/gains on disposal of property, plant and equipment	(427)	8,367
Fair value losses of financial assets at fair value through profit or loss	(3,077)	(9,000)
Others	3,414	(10,446)
	(19,273)	24,629

19. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of inventories sold/consumed	5,758,027	4,674,270
Employee benefit expenses	536,722	573,534
Distribution, transportation and labor outsourcing	285,397	339,192
Depreciation of		
– investment properties	3,795	3,614
– property, plant and equipment	288,730	281,507
Amortization of		
– intangible assets	4,569	4,341
– right-of-use assets	89,621	106,516
Repairs and maintenance	33,716	33,668
Short-term or low-value operating lease rentals in respect of property, plant and equipment	34,595	32,934
Stamp duty and real estate tax	20,113	18,608
General office expenses	19,318	18,447
Advertising and marketing expenses	8,643	21,538
Net (reversal of)/provision for impairment of inventories	(9,613)	19,797
Dredging expenses	9,225	19,025
Insurance expenses	8,102	8,080
Auditors' remuneration	2,007	2,065
Project subcontract expenses	1,346	1,792
Others	4,675	4,069
	7,098,988	6,162,997

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

20. Finance income and costs

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income	30,581	14,689
Interest cost on borrowings	(136,103)	(148,519)
Interest portions of lease liabilities	(3,069)	(2,447)
Less: Amounts capitalised	21,397	19,765
Net foreign exchange losses	(291)	(57)
	(118,066)	(131,258)
Finance costs – net	(87,485)	(116,569)

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 2020 is 3.45% per annum (same period of 2019: 3.86%).

21. Income tax expense

(a) Hong Kong profits tax

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, thus their applicable income tax rate is 16.5% (2019: 16.5%).

Hong Kong profits tax has not been provided as the estimated assessable profits deriving from Hong Kong are not material for the six months ended 30 June 2020 (2019: Nil).

(b) PRC corporate income tax

Approved by Xiamen Municipal Bureau of Finance, Xiamen Songyu Container Terminal Co., Ltd (“Songyu Terminal”), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2018. The income tax rate for the six months ended 30 June 2020 is 15% (2019: 15%).

Approved by Xiamen Municipal Bureau of Finance, Xiamen International Container Terminals Ltd. (“XICT”), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2018. The income tax rate for the six months ended 30 June 2020 is 15% (2019: 15%).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

21. Income tax expense (continued)

(b) PRC corporate income tax (continued)

Approved by Xiamen Municipal Bureau of Finance, Xiamen Container Terminal Group Co., Ltd ("XCTG"), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2019. The income tax rate for the six months ended 30 June 2020 is 15% (same period of 2019: 25%).

Except for Songyu Terminal, XICT, XCTG, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng HongKong, the Company and other subsidiaries of the Company are subject to income tax rate of 25% for the six months ended 30 June 2020 (2019: 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	
	2020	2019
	RMB'000	RMB'000
PRC corporate income tax expense	99,228	139,484
Deferred income tax charge	(3,488)	(12,503)
	95,740	126,981

22. Dividends

At the Board meeting held on 27 March 2020, the Board proposed a final dividend of RMB2.5 cents per share (tax inclusive) totaling RMB 68,155,000 for the year ended 31 December 2019 (the "2019 Final Dividend"). The 2019 Final Dividend was subsequently approved at the annual general meeting on 12 June 2020. The 2019 Final Dividend has been reflected as an appropriation of retained earnings during the six months ended 30 June 2020.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (same period of 2019: Nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

23. 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 2020	2019
Profit attributable to owners of the Company (in RMB)	126,260,000	146,571,000
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)	4.63	5.38

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

24. Commitments

(a) Capital expenditure commitments

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred	592,748	627,019

Committed capital expenditures as at 30 June 2020 were 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 2020 but the related capital expenditures had not been incurred as at that date.

(b) Lease commitments

As at 30 June 2020, the future minimum lease payments under non-cancellable operating leases which have not been recorded as lease liabilities are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Leases within one year	12,966	13,060
Low-value leases	6,172	7,480
	19,138	20,540

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

25. Significant related party transactions

- (a) During the six months ended 30 June 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Transactions with the parent company		
Revenues		
Electricity supply and maintenance services	59	66
Expenses		
Short-term and low value leases in respect of land, port facilities and office premises	27,097	34,976
Transactions with fellow subsidiaries		
Revenues		
Port services	10,063	10,977
Electricity supply and maintenance services	5,398	5,608
Trading sales	982	1,050
Expenses		
Office and property management	2,573	1,152
Operating lease in respect of land and office premises	4,232	3,266
Comprehensive service fees	10,642	12,057
Labour services	32,008	44,094
Information services	3,940	1,198
Interest charged for borrowings	310	448
Others		
Purchases of property, plant and equipment	22,500	13,280

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

25. Significant related party transactions (continued)

- (a) During the six months ended 30 June 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Transactions with joint ventures		
<i>Revenues</i>		
Power supply and maintenance and electrical equipment maintenance	—	49
Loading and unloading services	5,685	7,219
Transactions with other related parties		
<i>Revenues</i>		
Loading and unloading services	62,638	73,358
<i>Expenses</i>		
Purchases of commercial goods	12,880	15,241
Transactions with associates		
<i>Revenues</i>		
Transportation services	1,969	1,930
Interest charged for borrowings	—	286

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

25. 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 2020 RMB'000	Audited 31 December 2019 RMB'000
Balances with the parent company		
Accounts receivable	317	—
Other receivables and prepayments	12,856	29,087
Dividends payable	71,266	3,111
Accounts payable	10,041	2,136
Other payables and accruals	78	78
Lease liabilities	20,269	26,985
Balances with fellow subsidiaries		
Accounts receivable	19,028	13,558
Other receivables and prepayments	1,554	880
Accounts payable	113,715	82,697
Other payables and accruals (i)	9,317	3,887
Balances with associates		
Accounts receivable	—	931
Other payables and accruals (i)	16,203	16,000
Balances with joint ventures		
Accounts receivable	293	34
Other receivables and prepayments	2,046	2,061
Accounts payable	—	592
Other payables and accruals	50	307
Balance with non-controlling shareholders of subsidiaries		
Dividends payable	285,324	50,650
Balances with other related parties		
Accounts receivable	23,845	41,411
Other receivables and prepayments	1,057	1,462
Accounts payable	244	11,016
Other payables and accruals	—	860

- (i) As at 30 June 2020, balances with associates include borrowings of RMB16,000,000, which are not interest free and have fixed terms of repayment and are subject to agreed credit terms for other payables and accruals.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

25. Significant related party transactions (continued)

(c) Key management compensation:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,148	2,519
Social security costs including contributions to pension plans	210	354
	2,358	2,873

26. Subsequent events

(a) On 2 July 2020, the Company issued the seventh tranche of the Super Short-term Notes with a term of 90 days from the date of issue with a total principal amount of RMB250,000,000 at a fixed interest rate of 2.15% per annum (the "Seventh Tranche Super Short-term Notes").

On 20 July 2020, the Company has completed the issue of the eighth tranche of the Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 2.35% per annum (the "Eighth Tranche Super Short-term Notes").

On 10 August 2020, the Company has completed the issue of the ninth tranche of the Super Short-term Notes with a term of 89 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 2.48% per annum (the "Ninth Tranche Super Short-term Notes").

On 21 August 2020, the Company has completed the issue of the tenth tranche of the Super Short-term Notes with a term of 90 days from the date of issue with a total principal amount of RMB550,000,000 at a fixed interest rate of 2.47% per annum (the "Tenth Tranche Super Short-term Notes").

The net proceeds from the issue of the Seventh, Eighth, Ninth and Tenth Tranche Super Short-term Notes shall principally be used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2020

26. Subsequent events (continued)

- (b) On 5 August 2020, XPD entered into the Capital Increase Agreement with XPHG, pursuant to which XPD and XPHG have agreed to contribute additional capital by the injection of the entire equity interest in (i) Xiamen Hailong Terminal Co., Ltd (Hailong) by XPD; and (ii) Xiamen Haihong Petrochemical Terminal Co., Ltd (Haihong) by XPHG into Xiamen Port Group Shihushan Terminal Co., Ltd (Shihushan), respectively. This transaction constituted a business combination under common control.

- (c) On 15 August 2020, the Board has been notified by Xiamen Port Holding, after studied by the CPC Fujian Provincial Committee and the Fujian Provincial People's Government, the Fujian Provincial People's Government has expressly approved in writing on even date that the State-owned Assets Supervision and Administration Commission of the People's Government of Fujian Province (福建省人民政府國有資產監督管理委員會) ("Fujian SASAC") intends to organise and establish Fujian Province Port Group Limited Liability Company ("Fujian Port Group") and integrate the state-owned assets relating to port and shipping businesses of Fujian SASAC and the various prefectural-level cities within the province into Fujian Port Group, of which Xiamen Port Holding will be institutionalised and integrated into Fujian Port Group as a wholly-owned subsidiary. According to the above approval, the Board expects that such integration would involve changes of the effective controlling rights of the Company and Xiamen Port Development, where upon completion the ultimate beneficial owner of the Company will be changed from the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government to Fujian SASAC.



Management Discussion and Analysis

OPERATING RESULTS REVIEW

In the first half of 2020, severely affected by the novel coronavirus (COVID-19) epidemic (the “Epidemic”), the world’s economy and trade growth slowed down, and the impact of the Sino-US political, economic and trade frictions continued to emerge. Under the complicated internal and external situation, China has effectively fought and overcome the adverse effects of the Epidemic, and its economic growth still maintained a development trend of overall stability and steady progress. China’s gross domestic product (“GDP”) in the first half of the year fell by 1.6% year-on-year; the total value of imports and exports of China recorded a year-on-year decrease of 3.2%; but the economic growth in the second quarter has turned from negative to positive, the decline in trade has narrowed, and the growth of imports and exports in June achieved positive growth for the first time this year. Confronted with the complex and severe domestic and foreign economic and trade environment, the Group actively adopted various measures. On one hand, the Group coordinated the promotion of Epidemic prevention and control and the resumption of work and production. Adhering to the principle of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases”, the Group has stepped up efforts to normalize Epidemic prevention and control; made full use of scale advantages, strengthened strategic cooperation with major shipping companies, timely adopted effective marketing strategies, and proactively expanded incremental business of its principal port business, so as to strive to stabilize port production. On the other hand, the Group continued to promote the construction of green and smart ports, improved the business environment and enhanced the port service capabilities. Meanwhile, the Group actively sought support from national finance, taxation and industry policies, deepened the meticulous management, strengthened revenue growth and cost reduction, strictly controlled various operating costs, and strived to promote the stable development of its production and operation.

During the six months ended 30 June 2020, the Group recorded a total revenue of approximately RMB7,455,139,000, representing an increase of approximately 13.6% as compared with approximately RMB6,560,689,000 in the same period of 2019. Profit attributable to the owners of the Company was approximately RMB126,260,000, representing a decrease of approximately 13.9% as compared with approximately RMB146,571,000 in the same period of 2019. Basic and diluted earnings per share attributable to the owners of the Company were approximately RMB4.63 cents (the same period of 2019: approximately RMB5.38 cents). The increase in revenue was mainly due to the increase in revenue from the merchandise trading business of the Group. Profit attributable to the owners of the Company has decreased due to a decrease of approximately 1.3% of the container throughput of the Group and a decrease of approximately 12.4% of the bulk/general cargo throughput of the Group in this period. In addition, the average charging rate slightly decreased.

BUSINESS REVIEW

The Group is principally engaged in the relevant port terminal businesses at 30 self-owned berths and seven leased berths in Dongdu Port Area and Haicang Port Area in Xiamen, three self-owned berths in Quanzhou port (the “Huajin Terminal”) and one leased berth in Qingzhou Operating Area in Fuzhou (the “Fuzhou Zhongying Terminal”), including container port operations, bulk/general cargo port operations and port comprehensive logistics services.

In addition, the Group is also engaged in the business of manufacturing, processing and sale of building materials as well as the trading business of merchandise (such as chemical products and steel).

Management Discussion and Analysis (Continued)

Container Port Business

In the first half of 2020, the Group achieved a total throughput of 4,488,145 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		
	2020 (TEUs)	2019 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group ¹	2,255,638	2,442,381	(7.6%)
XICT and XHICT ²	406,868	509,772	(20.2%)
Songyu Terminal ³	656,069	554,457	18.3%
Xinhaida Terminal ⁴	814,670	733,902	11.0%
Total throughput in Xiamen region	4,133,245	4,240,512	(2.5%)
Fuzhou Zhongying Terminal ⁵	136,985	136,484	0.4%
Quanzhou Huajin Terminal ⁶	217,915	172,392	26.4%
Total throughput	4,488,145	4,549,388	(1.3%)

¹ Since 1 January 2016, Xiamen Terminal Group and its wholly-owned subsidiary 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. Therefore, for the purpose of operating information set out herein, the relevant operating figures of Haitian Terminal and Hairun Terminal include 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.

² 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 include 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.

³ Songyu Terminal is a terminal controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group. The relevant operating figures were 100% incorporated into the port business.

⁴ Xinhaida Terminal is a terminal directly or indirectly controlled and operated by the Group and Xiamen Terminal Group, and its relevant operating figures were 100% incorporated into the port business. Since January 2017, Xiamen Terminal Group and Xinhaida Terminal have successively and respectively leased relevant berths of Haixiang Terminal to operate container business due to business development needs. For the purpose of operating information set out herein, the relevant operating figures of Xinhaida Terminal include the figures relating to the container business for berths No. 18 and No. 19 in Haicang Port Area of Xiamen Port and berths No. 6 to No. 7 in the southern port area of Liuwudian, Xiamen Port.

⁵ 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.

⁶ Quanzhou Huajin Terminal has been incorporated into the Group in late October 2017.

Management Discussion and Analysis (Continued)

In the first half of 2020, affected by the severe impact of the Epidemic on the global economy and trade business, the development of the container business of the Group was fell short of the expectation. The container business in Xiamen region decreased by approximately 2.5% over the same period of 2019, of which, the container throughput of the international trade was approximately 2.649 million TEUs in the first half, representing a slight decrease of approximately 1.3%, which was mainly because the decreases of the Group's local container business of the foreign trade and the internal branch container business during the Reporting Period, but the Group has actively promoted the implementation of the international container transit route stabilization measures and coordinated shipping line layout, which enabled the international container transit business achieving growth against the market trend and effectively offsetting the decrease in container throughput caused by the decline in the local container business of the foreign trade and internal branch container business. The container throughput of the domestic trade was approximately 1.484 million TEUs in the first half, representing a decrease of approximately 4.7%, which was mainly because of the decline of container throughput of the domestic trade of the Group caused by the transition of shipping lines by several domestic trade shipping companies. The Group has taken corresponding measures to introduce other strategic cooperative shipping companies to open new shipping lines at Haixiang Terminal in a timely manner, which has basically compensated the shortage of reduction container throughput caused by the above-mentioned transition of shipping lines. The container business of Fuzhou Zhongying Terminal basically flatted compared to the same period of 2019, which was mainly due to the contribution of the increase in container throughput of its newly expanded domestic trade container routes, which basically offset the decline in the branch business of international trade container. In addition, the container throughput of Quanzhou Huajin Terminal in the first half year achieved a significant increase of approximately 26.4% as compared with the same period of last year, which was mainly due to that it has strengthened strategic cooperation with major domestic shipping companies, promoted the resumption of most container shipping lines, and assisted relevant shipping companies in expanding domestic trade container shipping lines in North China, Shandong and South China.

Bulk/General Cargo Port Business

In the first half of 2020, the bulk/general cargo business throughput achieved by the Group amounted to a total of 11,816,923 tonnes with details as follows:

	Bulk/general cargo throughput		
	Six months ended 30 June		
	2020 (tonnes)	2019 (tonnes)	Increase/ (Decrease)
Hailong Terminal, ITG Terminal, XICT and Songyu Terminal*	3,012,958	2,892,893	4.2%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal [®]	8,070,699	9,554,819	(15.5%)
Total throughput in Xiamen region	11,083,657	12,447,712	(11.0%)
Fuzhou Zhongying Terminal [^]	19,657	19,339	1.6%
Quanzhou Huajin Terminal*	713,609	1,019,426	(30.0%)
Total throughput	11,816,923	13,486,477	(12.4%)



Management Discussion and Analysis (Continued)

- # ITG Terminal has been leased successively and respectively by Xiamen Port Development Co., Ltd. (“Xiamen Port Development”) and Xiamen Hailong Terminal Co., Ltd (“Hailong Terminal Company”) for operation of bulk/general cargo business since April 2014. In addition, Xiamen Port Development and Hailong Terminal Company have successively and respectively leased 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 Hailong Terminal, ITG Terminal, XICT and Songyu Terminal contain the related figures of the berths of Hailong Terminal, ITG Terminal, XICT, Songyu Terminal and Haixiang Terminal.
- ⊕ Xiamen Port Group Shihushan Terminal Company Limited (廈門港務集團石湖山碼頭有限公司) (“Shihushan Terminal”) and its subsidiaries, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016; Shihushan Terminal has leased and operated berth No. 8 in Haicang Port Area of Xiamen Port (Mingda Terminal) since April 2018. Therefore, for the purpose of the operational information set out herein, the relevant operating figures of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal contain the relevant figures of the above three terminals as well as the relevant figures of Mingda Terminal.
- △ 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.

During the Reporting Period, the Group’s bulk/general cargo business affected by the Epidemic and decreased by approximately 12.4% in general as compared with the first half of 2019, of which, the bulk/general cargo business in Xiamen region decreased by approximately 11% as compared with the same period of last year, which was mainly due to: (1) Hailong Terminal took advantage of the state’s foreign grain import policy and took the grain import business as a breakthrough, the foreign trade grain business increased by 60% as compared with the same period of last year, and as its rented Haixiang Terminal business was gradually expanded, which made the terminal business increase as compared with the same period of last year; (2) Shihushan Terminal business has been affected by the Epidemic, resulting in suspending work and production of domestic industrial enterprises, the sharp decrease in coal consumption among related industries, as well as the depression in the steel market, the decline in the demand for imported iron from major customers, the competition from surrounding ports and the diversion of cargo sources, which have caused its throughput to drop by approximately 15.5%. Fuzhou Zhongying Terminal has a slight increase in its general cargo business compared with the previous year due to the fact that its coil steel business from major customers has not shut down. The bulk cargo throughput of Quanzhou Huajin Terminal significantly decreased by approximately 30% in the first half of the year due to changes in a variety of the sandstone market, the delay of resumption of work and production by major customers affected by the Epidemic, and the significant decrease in the sand and coal business volume.

Port Comprehensive Logistics Services

Port comprehensive logistics services of the Group mainly include a number of businesses, such as shipping agency, tallying, tugboat-assisted berthing and unberthing, and port-related logistics services. As the Epidemic continues to affect the development of international shipping trade business, these businesses are also being affected accordingly. In the first half year of 2020, although the tugboat-assisted berthing and unberthing business decreased year-on-year, the overall performance was generally in line with expectations, and the Group had good results in the markets outside Xiamen Port. Meanwhile, the relevant enterprises under the Group in Gulei Port Area were promoting the purchase

Management Discussion and Analysis (Continued)

and construction of two new tugboats to improve the business layout. As for the shipping agency business, some traditional businesses decreased significantly compared to the last year due to insufficient market demand, while it achieved an obvious progress in promoting business process informatization construction such as port logistics settlement. The tallying business continued to promote technology and business process reengineering. Except for the decline in the international trade container business, other major businesses achieved growth. The corporate costs fell sharply and benefits achieved an increase as port-related logistics services benefited from the government's anti-epidemic support policies.

Merchandise Trading Business

In the first half year of 2020, merchandise trading business of the Group closely adhered to the operation philosophy of "Boosting the Port Economy with Trade, Promoting the Trading Business through Port Operation and Integrating the Port and Trading Businesses", and focused on the development of the core products (including coal, steel, chemical materials and paper pulp), which effectively integrated the relevant port business resources of the Group, and promoted the formation of synergy advantages of trade, terminals, and port comprehensive logistics. In the first half, the merchandise trading business basically maintained steady development under the complex market environment. The scale of trade business related to the portside supply chain increased significantly, which effectively brought a considerable supply of goods to the Group and increased the terminal throughput of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 13.6% from approximately RMB6,560,689,000 for the six months ended 30 June 2019 to approximately RMB7,455,139,000 for the six months ended 30 June 2020. The increase was mainly due to the increase in revenue from the merchandise trading business of the Group.

Revenue by business sector

Business	Six months ended 30 June		
	2020 (RMB'000)	2019 (RMB'000)	(Decrease)/ Increase
Container loading and unloading and storage business	873,752	1,000,962	(12.7%)
Bulk/general cargo loading and unloading business	364,350	387,128	(5.9%)
Port comprehensive logistics services	328,377	382,716	(14.2%)
Building materials manufacturing and selling business	162,228	220,139	(26.3%)
Merchandise trading business	5,726,432	4,569,744	25.3%
Total	7,455,139	6,560,689	13.6%

The main reasons for the changes in the revenue of each business sector for the six months ended 30 June 2020 compared with the corresponding period of last year are as follows:

1. The revenue from container loading and unloading and storage business of the Group has decreased significantly for the six months ended 30 June 2020, which mainly due to the worldwide outbreak of the Epidemic from the beginning of 2020, resulting in a drop in the domestic and foreign trade container throughput of the Group. In addition, during the Reporting Period, in order



Management Discussion and Analysis (Continued)

to support and promote the resumption of work and production of the upstream and downstream industrial chain of the port, alleviate the cost pressure faced by the customers, work with customers hand in hand to tide over difficulties and jointly promote the smooth operation of the port supply chain, the Group has taken the initiative to reduce fees to benefit the customers, which partially affects the revenue of container loading and unloading and storage business;

2. The revenue of bulk/general cargo loading and unloading business decreased in this period. The drop in revenue was primarily because the factories running below capacity and weakening in demand of electricity due to the Epidemic which led to the decrease of iron ore and coal throughput in Shihushan Terminal in the first half of 2020;
3. The revenue of the comprehensive port logistics services decreased significantly in this period. The reason is that wastepaper inspection business of Xiamen Port Haicang Container Inspection Service Co., Ltd. (廈門港海滄集裝箱查驗服務有限公司) was affected by environmental protection policy limiting the import of wastepaper; The business volume of Xiamen Port Logistics Co., Ltd. (廈門港務物流有限公司) dropped to a greater extent due to the Epidemic;
4. The revenue of manufacturing and sales of building materials business decreased significantly in this period because production volume of powder declined due to supply chain shrinkage and sales volume of concrete declined due to the Epidemic; and
5. The revenue of the merchandise trading business significantly increased mainly due to increased demand for some commodities after the resumption of work in the first half of 2020 and the gradually well-developed wood pulp and corn business newly developed in recent years.

Cost of Sales

Cost of sales of the Group increased by approximately 15.9% from approximately RMB5,948,363,000 for the six months ended 30 June 2019 to approximately RMB6,892,026,000 for the six months ended 30 June 2020. The increase of cost of sales mainly consists of the growth of cost of inventories sold.

Group cost of inventories sold increased by approximately 23.2% from approximately RMB4,674,270,000 for the six months ended 30 June 2019 to approximately RMB5,758,027,000 for the six months ended 30 June 2020. The increase was mainly resulted from increase of the Group's merchandise trading business, the market demand of coal, steel and chemical products for domestic trade increased in this period, which led to corresponding increase on cost of inventory cost.

Other (Losses)/Gains – Net

Other (losses)/gains – net of the Group decreased from a gain position with an amount of approximately RMB24,629,000 for the six months ended 30 June 2019 to a loss position with an amount of approximately RMB19,273,000 for the six months ended 30 June 2020. The decrease was mainly due to the net fair value loss on the futures amounted to approximately RMB19,183,000, and a turnaround from a gain of disposal of property, plant and equipment of approximately RMB8,367,000 in 2019 to a loss of approximately RMB427,000 in 2020. In addition, an investment income of approximately RMB10,313,000 gained from the disposal of Sanming Port Construction Co., Ltd. (三明港務建設有限公司) occurred in 2019 while no such investment income occurred in 2020.

Management Discussion and Analysis (Continued)

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 2020, the balance of the Group's cash and cash equivalents (which are mainly held in RMB) amounted to approximately RMB1,886,081 (as at 31 December 2019: approximately RMB1,883,432,000), which essentially remained stable.

Borrowings of the Group increased by approximately 0.1% from approximately RMB7,438,334,000 as at 31 December 2019 to approximately RMB7,446,285,000 as at 30 June 2020. The increase in borrowings is mainly due to the newly issued super short-term notes by the Company.

As at 30 June 2020, a bank borrowing of RMB15,904,000 was guaranteed by China Construction Bank (31 December 2019: RMB20,406,000); Bank borrowings of RMB449,426,000 was guaranteed by non-controlling shareholders of subsidiaries (31 December 2019: RMB435,625,000). Bank borrowings of RMB86,343,000 were secured by the Group's land use rights (31 December 2019: RMB58,709,000) and bank borrowing of 59,287,000 were secured by the Group's sea use rights (31 December 2019: RMB47,000,000).

Gearing Ratio

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

The gearing ratios as at 30 June 2020 and 31 December 2019 were as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Total borrowings and lease liabilities	7,576,688	7,682,775
Less: Cash and cash equivalents	(1,886,081)	(1,883,432)
Net debt	5,690,607	5,799,343
Total equity	12,326,975	12,374,126
Total capital	18,017,582	18,173,469
Gearing ratio (%)	31.6%	31.9%

As at 30 June 2020, the Group had a net debt position.



Management Discussion and Analysis (Continued)

Other Financial Information

As at 30 June 2020, the financial assets at fair value through profit or loss of the Group decreased from approximately RMB261,705,000 as at 31 December 2019 to approximately RMB108,600,000, the decrease was mainly because the Group has subscribed several new financial assets amounting to an aggregate of RMB533,800,000 and redeemed financial assets amounting to an aggregate of RMB717,683,000 during the Reporting Period.

Capital Expenditure Commitments

As at 30 June 2020, the Group's capital expenditure commitments amounted to approximately RMB592,748,000, 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 and US dollars. To the extent that RMB appreciates (or depreciates) against 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 2020. 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.

EMPLOYEES

As at 30 June 2020, the Group had a total of 7,290 employees, representing a decrease of 79 employees as compared to 31 December 2019. 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 COMPANIES

On 7 January 2020, Xiamen Penavico International Freight and Forwarding Co., Ltd. ("Penavico International"), a subsidiary of the Company, established Penavico International Zhangzhou Branch in No. 9, Hongjian Road, Jinshan Village, Jiaomei Town, Taiwanese Investment Zone, Zhangzhou City, Fujian Province, which is principally engaged in businesses such as international freight agency and the other warehousing (excluding the projects subject to permits and approvals), import and export of all types of goods and technologies (excluding those goods and technologies the state restricts companies to operate or prohibits to import and export), road transportation of goods (excluding dangerous goods transport), coastal and inland river transportation of goods and customs declaration, non-vessel operating common carry and domestic vessel agency, and the relevant industrial and commercial registration formalities have been completed.



Management Discussion and Analysis (Continued)

On 14 February 2020, Xiamen Road and Bridge Building Materials Co., Ltd. (“Road and Bridge Building Materials”), a subsidiary of the Company, invested in establishing Xiamen Xinrunyan New Materials Co., Ltd. (廈門欣潤岩新材料有限公司) (“Xinrunyan”) in Xiamen City, Fujian Province, which principally engaged in businesses such as the production, research and development of the concrete admixtures and admixture materials of new building materials. The registered capital of Xinrunyan is RMB10.00 million, which is held as to 100% by Road and Bridge Building Materials, and the relevant industrial and commercial registration formalities have been completed.

On 3 June 2020, Penavico International established Penavico International Quanzhou Branch at Building A, Office 18, Jikong District, Cuoshang Village, Jinshang Town, Shishi City, Quanzhou City, Fujian Province, which is principally engaged in businesses such as international freight agency and the other warehousing (excluding the projects subject to permits and approvals), import and export of all types of goods and technologies (excluding those goods and technologies the state restricts companies to operate or prohibits to import and export), road transportation of goods (excluding dangerous goods transport), coastal and inland river transportation of goods and customs declaration, non-vessel operating common carry and domestic vessel agency, and the relevant industrial and commercial registration formalities have been completed.

OTHER MAJOR EVENTS

On 27 February 2020, the Company has completed the issue of the first tranche of the super short-term notes in 2020 with a term of 180 days from the date of issue with a total principal amount of RMB950,000,000 at a fixed interest rate of 2.50% per annum. The net proceeds from the issue of the first tranche super short-term notes in 2020 are principally used for supplementing the Group’s liquidity and repayment of the Group’s bank loans so as to satisfy the working capital requirements of the Group’s business operations and investment projects.

On 13 March 2020, the Company has completed the issue of the second tranche of the super short-term notes in 2020 with a term of 180 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 2.48% per annum. The net proceeds from the issue of the second tranche super short-term notes in 2020 are entirely used for repaying the Company’s sixth tranche super short-term notes in 2019 which are immediately due.

On 8 April 2020, the Company has completed the issue of the third tranche of the super short-term notes in 2020 with a term of 91 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 1.94% per annum. The net proceeds from the issue of the third tranche super short-term notes in 2020 are entirely used for repaying the Company’s fourth tranche super short-term notes in 2019 which are immediately due.

On 22 April 2020, the Company has completed the issue of the fourth tranche of the super short-term notes in 2020 with a term of 177 days from the date of issue with a total principal amount of RMB300,000,000 at a fixed interest rate of 1.73% per annum. The net proceeds from the issue of the fourth tranche super short-term notes in 2020 are entirely used for supplementing the Group’s liquidity so as to satisfy the capital requirements of the Group’s business operations.

On 14 May 2020, the Company has completed the issue of the fifth tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of



Management Discussion and Analysis (Continued)

RMB350,000,000 at a fixed interest rate of 1.75% per annum. The net proceeds from the issue of the fifth tranche super short-term notes in 2020 are entirely used for repaying the Company's fifth tranche super short-term notes in 2019 which are immediately due.

On 3 June 2020, the Company has completed the issue of the sixth tranche of the super short-term notes in 2020 with a term of 93 days from the date of issue with a total principal amount of RMB200,000,000 at a fixed interest rate of 1.58% per annum. The net proceeds from the issue of the sixth tranche super short-term notes in 2020 are entirely used for supplementing the Group's liquidity so as to satisfy the capital requirements of the Group's business operations.

SUBSEQUENT EVENTS

On 2 July 2020, the Company has completed the issue of the seventh tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB250,000,000 at a fixed interest rate of 2.15% per annum. The net proceeds from the issue of the seventh tranche super short-term notes in 2020 are entirely used for repaying the Company's third tranche super short-term notes in 2020 which are immediately due.

On 20 July 2020, the Company has completed the issue of the eighth tranche of the super short-term notes in 2020 with a term of 180 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 2.35% per annum. The net proceeds from the issue of the eighth tranche super short-term notes in 2020 are entirely used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 5 August 2020, Xiamen Port Development (a non-wholly-owned subsidiary of the Company) entered into a capital increase agreement with Xiamen Port Holding (the controlling shareholder of the Company), pursuant to which Xiamen Port Development and Xiamen Port Holding have agreed to contribute additional capital by the injection of the entire equity interest in (i) Xiamen Hailong Terminal Co., Ltd. ("Xiamen Hailong", a subsidiary of the Company) by Xiamen Port Development; and (ii) Xiamen Haihong Petrochemical Terminal Co., Ltd. ("Xiamen Haihong", a wholly-owned subsidiary of Xiamen Port Holding) by Xiamen Port Holding into Shihushan Terminal (a non-wholly-owned subsidiary of the Company), respectively. The total value of the capital injection by Xiamen Port Development and Xiamen Port Holding amounts to approximately RMB1,526,273,200, of which the value of the entire equity interest of Xiamen Hailong amounts to approximately RMB1,208,737,100 and the value of the entire equity interest of Xiamen Haihong amounts to approximately RMB317,536,100. Upon completion, the equity interest in Shihushan Terminal to be held by Xiamen Port Development will be increased from 51% to 65.08% and the equity interest in Shihushan Terminal to be held by Xiamen Port Holding will be reduced from 49% to 34.92%. The above transactions are still subject to the consideration and approval at the Company's extraordinary general meeting on 16 September 2020. For details of the transactions, please refer to the announcement dated 5 August 2020 published by the Company.

On 10 August 2020, the Company has completed the issue of the ninth tranche of the super short-term notes in 2020 with a term of 89 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 2.48% per annum. The net proceeds from the issue of the ninth tranche super short-term notes in 2020 are entirely used for repaying the Company's fifth tranche super short-term notes in 2020.



Management Discussion and Analysis (Continued)

On 15 August 2020, the Board has been notified by Xiamen Port Holding, after studied by the CPC Fujian Provincial Committee and the Fujian Provincial People's Government, the Fujian Provincial People's Government has expressly approved in writing on even date that the State-owned Assets Supervision and Administration Commission of the People's Government of Fujian Province (福建省人民政府國有資產監督管理委員會) ("Fujian SASAC") intends to organise and establish Fujian Province Port Group Limited Liability Company ("Fujian Port Group") and integrate the state-owned assets relating to port and shipping businesses of Fujian SASAC and the various prefectural-level cities within the province into Fujian Port Group, of which Xiamen Port Holding will be institutionalised and integrated into Fujian Port Group as a wholly-owned subsidiary (the "Integration"). According to the above approval, the Board expects that such Integration would involve changes of the effective controlling rights of the Company and Xiamen Port Development, where upon the completion of the Integration, the ultimate beneficial owner of the Company will be changed from the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government to Fujian SASAC. For details of the above issue, please refer to the announcement dated 16 August 2020 published by the Company.

On 21 August 2020, the Company has completed the issue of the tenth tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB550,000,000 at a fixed interest rate of 2.47% per annum. The net proceeds from the issue of the tenth tranche super short-term notes in 2020 are entirely used for repaying the Company's first tranche super short-term notes in 2020.

Save as disclosed above, since 30 June 2020 to the date of this announcement, there was no significant events affecting the Group.

PROSPECTS AND OUTLOOK

In general, the domestic and international economic situation will still be complex and severe in the second half of this year. Internationally, as the global Epidemic is still spreading, the significant impact of the Epidemic on the world economy will continue to evolve. Sino-US political, economic and trade frictions will have a profound impact, and the prospects for global economic development are highly uncertain. Domestically, with the Chinese government's overall efforts to promote Epidemic prevention and control as well as make progress in economic and social development, China's economy has shown a sound momentum of steady recovery, laying a solid foundation for China's sustained economic recovery in the second half of this year, and market expectations are generally improving. On the other hand, under the continuing impact of the Epidemic, certain economic indicators are still declining. The losses caused by the Epidemic's impact on China's economy still need to be made up. External risks and challenges have increased significantly, and domestic economic recovery is still under pressure. According to the Global Economic Prospects released by the World Bank in June this year, it is expected that the global economic growth will decline by 5.2%, and China's economic growth rate is expected to be 1.0% this year. In addition, in recent years, the growing trend of shipping company alliance and vessel up-sizing in the international ports and shipping markets will continuously promote the integration of domestic ports and shipping resources, according to statistics, both of the container throughputs of Xiamen Port in June and July of this year have created the single-month record high under the dual influence of Sino-US trade conflict and the Epidemic, and the port production made a steady growth, which will have a significant impact on the future development layout of ports and raise higher requirements for the future development of the Group. Facing the complex and changeable economic environment, the Group will strengthen its confidence, always focus on benefit, give full play to its overall advantages, actively



Management Discussion and Analysis (Continued)

respond to challenges, strive to overcome the staged adverse effects of the Epidemic, capture market opportunities, and further explore new development potential, flexibly adopt various active marketing strategies and measures to improve its operational efficiency, make progress while maintaining stability in a bid to deliver better returns on investments for all shareholders of the Company. Considering the actual situation, the Group will focus on the following tasks in the second half of this year:

- To coordinate and promote Epidemic prevention and control and port production. The Group will actively respond to the Epidemic, strictly implement various Epidemic prevention and control measures of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases”, and strive to ensure both Epidemic prevention and control and safe production. It will actively study and make use of national finance, taxation and industry support policies in response to the Epidemic, seize market opportunities, reduce enterprise production and operating costs, strengthen revenue increasing and expenditures reducing, and strive to stabilize the operation effectiveness of the port.
- To coordinate and promote overall marketing. Firstly, the Group will strengthen the overall business synergy between Xiamen Terminal Group and Xiamen Port Development, build an efficient and comprehensive port logistic service system, and achieve the coordinated development of the two pillar industries of port loading and unloading and logistics, so as to improve overall competitiveness. Secondly, the Group will establish a three-in-one marketing system of “Ships, Ports and Cargoes”, deepen cargo marketing, increase shipping marketing efforts, facilitate the convergence of goods from various sources, and explore new business growth points. Thirdly, the Group will deepen the Supply-side Structural Reforms, enhance the service capabilities of terminals, implement the strategy of “Service Makes Port Stronger”, and effectively meet the needs of customers.
- To expand strategic cooperation. Firstly, the Group will excavate big data resources and promote customer precision marketing. It will implement the policy of “One Enterprise with One Strategy” for strategic customers to enhance business closeness with major customers. Secondly, the Group will promote the deepening and implementation of strategic port-shipping cooperation agreements. It will adopt a flexible pricing strategy to expand the main port business, focus on expanding container incremental businesses such as international container transshipment, the regional hub businesses of domestic trade container, businesses related to the “One Belt, One Road” initiative shipping routes and vessel transloading, and foster sustainable development momentum of the port. Thirdly, the Group will actively develop and expand new commodities business and strengthen the strategic cooperation with large cargo owners, large logistics providers and large logistics nodes based on resources integration of bulk cargo terminals.
- To expand the hinterland cargo resources from the sea and land. Firstly, the Group will closely follow the national development initiative of “One Belt, One Road” to strengthen the cooperation with Silk Road Shipping alliances, construct global shipping route network and expand the radiation area of port services. Secondly, the Group will promote the construction of branch ports and land-based ports network, and vigorously develop high-density branch lines businesses and sea-land, sea-rail and other multimodal businesses. Thirdly, the Group will actively participate in the development of hinterland industrial chain and logistics service supporting, lay out and guide the source and flow of goods, so as to help building Xiamen into a port-type national logistics hub.



Management Discussion and Analysis (Continued)

- To accelerate the integration of port resources. Firstly, the Group will promote the integrated operation of container terminals at Haicang Port Area. Secondly, the Group will continue to promote the resources integration of bulk cargo terminals, strive to complete the capital increase project of Shihushan Terminal as soon as possible, continue to deepen equity integration, and simultaneously promote the integration of business and management resources. Thirdly, the Group will promote the integration of logistics resources. According to the requirements of the Project Launch Meeting in July, the Group will solidify the logistics department, strengthen the management and control functions of operation, build a port ecosystem focused on the terminal and warehousing end in line with the development direction of the modern logistics industry and improve the Group's comprehensive logistics service capability through the integrated tandem of the logistics supply chain.
- To accelerate the construction of green and smart ports. Firstly, the Group will strengthen intelligent construction. It will promote the fully intelligent transformation project of Hairun Terminal, and speed up construction progress; promote the optimization of the business platform, optimize the integrating shipping and distribution platform, the second phase of the container business platform, as well as platforms including multimodal transport and Taiwan-based maritime express. Secondly, the Group will strengthen the construction of green environmental protection. It will continue to promote energy-saving technological transformation, promote the use of clean energy, and focus on accelerating the construction of projects such as photovoltaics, electrification of mobile machinery and transport vehicles, shore power for vessels, water supply for vessels and green lighting upgrades in the port areas. The Group will proactively implement environmental protection policies, and improve the various works including sewage treatment, dust prevention and control as well as garbage classification.
- To strengthen refined management. Firstly, the Group will act strictly in accordance with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), regulate information disclosure and ensure regulated operations. Secondly, the Group will improve the internal control and management system. It will improve the internal management system, strengthen market operations, investment and financing management, audit supervision and other tasks; strengthen risk prevention in conjunction with the Epidemic, focus on strengthening risk litigation management, special clean-up of accounts receivable and inventory management, and maintain asset safety. Thirdly, the Group will promote cost reduction and efficiency enhancement. Give full play to the Group's financing platform function, adjust the debt structure and reduce financial costs; make full use of national support policies to reduce finance, taxation, labor and other costs; strengthen budget implementation monitoring, and strictly control costs and expenses. Fourthly, the Group will promote financial sharing and complete the online operation of financial full business modules of most of the enterprises of Xiamen Port Development as soon as possible.
- 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 as to facilitate the Board to make appropriate and informed decisions based on the management and operational needs in a timely manner.

Other Information

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 30 June 2020:

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 2020.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend during the six months ended 30 June 2020 (same period of 2019: Nil).

SHARE OPTION SCHEME

The Company does not adopt any share option scheme.

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

As at 30 June 2020, 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 the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, 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)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Xiamen Haixia Investment Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Shia Ning Shipping Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Beneficial owner	14.32%	5.18%

Note: The 141,264,000 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 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2020, 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 2020, 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.



Other Information (Continued)

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 2020, 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 deviation from 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 twelve Directors, including two executive Directors, namely Mr. CAI Liqun and Mr. CHEN Zhaohui, 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.

In accordance with the articles of association of the Company, the term of office of each of the Directors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company’s first extraordinary general meeting in 2020 held on 28 February 2020, Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong, Ms. BAI Xueqing, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were re-elected and Mr. LIN Fuguang and Mr. CHEN Zhen were elected as the Directors of the sixth session of the Board, of which, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were independent non-executive Directors. On the same date, the Company convened the first meeting of the sixth session of the Board to elect Mr. CAI Liqun as the chairman of the sixth session of the Board, appointed Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen as executive Directors, and appointed Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing as non-executive Directors and continued to appoint Mr. CAI Changzhen as the company secretary of the Company.

On 24 June 2020, Ms. MIAO Luping resigned from the positions of non-executive Director and member of the remuneration committee of the Company (the “Remuneration Committee”) due to her change of employment.

Accordingly, as at 30 June 2020, the sixth session of the Board comprised four executive Directors, namely Mr. CAI Liqun (Chairman), Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen, four non-executive Directors, namely 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.

In addition, (i) on 19 January 2020, Mr. XU Xubo resigned from the position of a deputy general manager of the Company due to personal reason; (ii) on 27 March 2020, Mr. WU Yansong was appointed by the Company as a deputy general manager of the Company, and ceased to be the chairman of China Xiamen Ocean Shipping Agency Co., Ltd. with effect from March 2020. He also ceased to be the chairman of Chaozhou Port Development Co., Ltd., a director of Xiamen Port Group Shihushan Terminal Co., Ltd., a director of Zhangzhou Gulei Port Development Co., Ltd. with effect from June 2020. He has also been a director of Fujian Silk Road Shipping Operation Co., Ltd., the chairman of Xiamen Songyu Container Terminal Co., Ltd., the chairman of Xiamen International Container Terminal Co., Ltd., the chairman of Xiamen Haicang International Container Terminal Co., Ltd., the chairman of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. with effect from June 2020. He has also been the

chairman of Xiamen Container Terminal Group Co., Ltd. with effect from July 2020; and (iii) on 8 June 2020, Mr. CHEN Zhaohui, the general manager of the Company, was also appointed as a deputy general manager of Xiamen Port Holding, and ceased to be the chairman of Xiamen Container Terminal Group Co., Ltd. with effect from 17 July 2020 (but still remained as a director).

The Supervisory Committee

At the beginning of the Reporting Period, the fifth session of the supervisory committee of the Company (the "Supervisory Committee") comprised six Supervisors, including two shareholders representative Supervisors, namely Mr. DU Hongjia and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

In accordance with the articles of association of the Company, the term of office of each of the Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company's first extraordinary general meeting in 2020 held on 28 February 2020, Mr. DU Hongjia, Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping were re-elected as the Supervisors of the sixth session of the Supervisory Committee (while Mr. LIAO Guosheng and Mr. LIU Xiaolong were staff representative Supervisors who had been re-elected at the general meeting of staff representatives of the Company held on 13 December 2019), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors. On the same date, the Company convened the first meeting of the sixth session of the Supervisory Committee to elect Mr. DU Hongjia as the chairman of the Supervisory Committee.

Accordingly, as at 30 June 2020, the sixth session of the Supervisory Committee of the Company comprised two shareholders representative Supervisors, namely Mr. DU Hongjia (being the Chairman of Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

Nomination Committee

At the beginning of the Reporting Period, the third session of the nomination committee of the Company (the "Nomination Committee") comprised 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 was chaired by Mr. CAI Liqun. On 28 February 2020, upon formation of the sixth session of the Board of the Company, Mr. CAI Liqun, the chairman and an executive Director of the Company, and two independent non-executive Directors, Mr. LIN Pengjiu and Mr. JIN Tao, were appointed as members of the fourth session of the Nomination Committee, of which, Mr. CAI Liqun continued to be appointed as the chairman of the Nomination Committee at the first meeting of the sixth session of the Board of the Company held on the same date.

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



Other Information (Continued)

Audit Committee

At the beginning of the Reporting Period, the fifth session of the audit committee of the Company (the "Audit Committee") comprised two independent non-executive Directors, Mr. LIU Feng and Mr. YOU Xianghua, and one non-executive Director, Mr. FU Chengjing. The Audit Committee was chaired by Mr. LIU Feng. On 28 February 2020, upon formation of the sixth session of the Board of the Company, Mr. LIU Feng and Mr. YOU Xianghua, the independent non-executive Directors, and Mr. FU Chengjing, a non-executive Director, were appointed as members of the sixth session of the Audit Committee, of which, Mr. LIU Feng continued to be appointed as the chairman of the Audit Committee at the first meeting of the sixth session of the Board of the Company held on the same date.

The primary functions of the Audit Committee are: to propose the re-appointment, oversee the performance and approve the remuneration of the 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 2020 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 comprised two independent non-executive Directors, Mr. YOU Xianghua and Mr. LIU Feng and one non-executive Director, Ms. MIAO Luping. The Remuneration Committee was chaired by Mr. YOU Xianghua. On 28 February 2020, upon formation of the sixth session of the Board of the Company, Mr. YOU Xianghua and Mr. LIU Feng, the independent non-executive Directors, and Ms. MIAO Luping, a non-executive Director, were appointed as members of the sixth session of the Remuneration Committee, of which, Mr. YOU Xianghua continued to be appointed as the chairman of the Remuneration Committee at the first meeting of the sixth session of the Board of the Company held on the same date.

On 24 June 2020, Ms. MIAO Luping, resigned from the positions of non-executive Director and member of the Remuneration Committee of the Company due to her change of employment. Accordingly, as at 30 June 2020, the Remuneration Committee of the Company comprised two independent non-executive Directors, namely Mr. YOU Xianghua and Mr. LIU Feng, the Remuneration Committee was chaired by Mr. YOU Xianghua. The Directors are of the view that the resignation of Ms. MIAO Luping during the Reporting Period has not and will not affect the normal operation of the Remuneration Committee.

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 (the "Business Strategy Committee") comprised five Directors, namely Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liqun and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Zhiping and Ms. BAI Xueqing, the non-executive Directors. The Business Strategy Committee was chaired by Mr. JIN Tao. On 28 February 2020, upon formation of the sixth session of the Board of the Company, Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liqun and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Zhiping and Ms. BAI Xueqing, the non-executive Directors, were appointed as members of the sixth session of the Business Strategy Committee, of which, Mr. JIN Tao continued to be appointed as the chairman of the Business Strategy Committee at the first meeting of the sixth session of the Board of the Company held on the same date.

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

At the beginning of the Reporting Period, the second session of the corporate governance committee of the Company (the "Corporate Governance Committee") comprises two independent non-executive Directors, Mr. LIN Pengjiu and Mr. JI Wenyuan, the Corporate Governance Committee was chaired by Mr. LIN Pengjiu. On 28 February 2020, upon formation of the sixth session of the Board of the Company, Mr. LIN Pengjiu and Mr. JI Wenyuan, the independent non-executive Directors, and Mr. CHEN Zhen, an executive Director, were appointed as members of the third session of Corporate Governance Committee, of which, Mr. LIN Pengjiu continued to be appointed as the chairman of the Corporate Governance Committee at the first meeting of the sixth session of the Board of the Company held on the same date.

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



Other Information (Continued)

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 2020, and the Company had not been aware of any violations of this kind during the six months ended 30 June 2020.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In accordance with the relevant provisions of the “Reply on the Adjustments of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad” (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) issued by the State Council of China, and combined with the actual and objective situation of the Company, the Company has approved the necessary amendments to the relevant provisions of the Company’s articles of association by way of a special resolution at the first extraordinary general meeting in 2020 held on 28 February 2020, as well as at the first class meeting of the holders of domestic shares in 2020 and the first class meeting of the holders of H shares in 2020 held on 10 March 2020. For details, please refer to the announcements dated 14 January 2020, 22 January 2020 and 23 January 2020, as well as the circulars dated 14 January 2020 and 22 January 2020 of the Company.

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