



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



2022

INTERIM REPORT



* For identification purpose only

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

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS¹

CHEN Zhiping
BAI Xueqing

INDEPENDENT NON-EXECUTIVE DIRECTORS²

LIN Pengjiu
JIN Tao
JI Wenyuan
LI Maoliang³

SUPERVISORS

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

COMPANY SECRETARY

CAI Changzhen

AUTHORIZED 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. FU Chengjing resigned as a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee on 29 June 2022; Mr. HUANG Zirong resigned as a non-executive Director on 8 July 2022;
2. Mr. LIU Feng resigned as an independent non-executive Director, the Chairman and a member of the Audit Committee and a member of the Remuneration Committee on 16 February 2022;
3. Mr. LI Maoliang has been newly appointed as an independent non-executive Director, the Chairman and a member of the Audit Committee and a member of the Remuneration Committee since 15 March 2022.

Financial Highlights

The unaudited interim consolidated results for the six months ended 30 June 2022

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000 (Restated)	Change RMB'000
Revenues	13,759,144	12,378,444	1,380,700
Operating profit	738,724	595,679	143,045
Profit for the period	432,859	387,996	44,863
Profit attributable to owners of the Company	308,097	195,670	112,427
Earnings per share for profit attributable to owners of the Company during the period — Basic and diluted (in RMB cents)	11.30	7.18	4.12

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 43, which comprises the interim condensed consolidated balance sheet of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2022

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Condensed Consolidated Balance Sheet

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Investment properties	6	253,843	169,094
Property, plant and equipment	6	12,620,080	12,857,042
Intangible assets	6	190,176	188,998
Right-of-use assets	6	4,734,025	4,671,060
Interests in joint ventures	7	136,772	132,628
Interests in associates	8	192,207	184,458
Financial assets at fair value through other comprehensive income	11	13,191	13,893
Long-term receivables and prepayments	10	955	5,277
Deferred income tax assets		271,219	280,109
Total non-current assets		18,412,468	18,502,559
Current assets			
Inventories		1,777,279	1,872,517
Accounts receivable	9	1,610,745	1,107,941
Other receivables and prepayments	10	979,323	1,048,850
Financial assets at fair value through other comprehensive income	11	18,752	81,053
Financial assets at fair value through profit or loss	11	445,816	45,817
Term deposits with initial term over three months		800,000	800,000
Restricted cash		621,322	40,496
Cash and cash equivalents		3,521,285	2,971,304
Derivative financial instrument		4,453	—
Total current assets		9,778,975	7,967,978
Total assets		28,191,443	26,470,537
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	2,726,200	2,726,200
Reserves		3,305,815	3,160,423
Non-controlling interests		6,032,015	5,886,623
		4,185,574	4,776,122
Total equity		10,217,589	10,662,745

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	6,569,360	3,691,829
Deferred government grants and income		100,895	105,326
Long-term payables and advances	13	1,617	1,662
Lease liabilities		110,503	109,446
Deferred income tax liabilities		384,430	387,191
Total non-current liabilities		7,166,805	4,295,454
Current liabilities			
Accounts and notes payable	12	1,988,588	1,886,082
Contract liabilities		491,324	506,584
Other payables and accruals	13	815,608	851,579
Borrowings	14	7,321,165	8,073,342
Lease liabilities		119,673	107,159
Taxes payable		70,691	87,332
Derivative financial instrument		—	260
Total current liabilities		10,807,049	11,512,338
Total liabilities		17,973,854	15,807,792
Total equity and liabilities		28,191,443	26,470,537

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Income Statement

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
	Note	2022	2021
		RMB'000	RMB'000
			(Restated, Note 27)
Revenues	16	13,759,144	12,378,444
Cost of sales	19	(12,882,692)	(11,670,357)
Gross profit		876,452	708,087
Other income	17	158,496	117,378
Other (losses)/gains – net	18	(32,233)	10,235
Selling and marketing expenses	19	(24,118)	(28,404)
General and administrative expenses	19	(243,387)	(206,592)
Net impairment reversals/(losses) on financial assets		3,514	(5,025)
Operating profit		738,724	595,679
Finance income	20	23,532	18,112
Finance costs	20	(207,231)	(128,346)
		555,025	485,445
Share of profits less losses of joint ventures	7	4,144	5,879
Share of profits less losses of associates	8	10,621	16,826
Profit before income tax		569,790	508,150
Income tax expense	21	(136,931)	(120,154)
Profit for the period		432,859	387,996
Profit attributable to:			
Owners of the Company		308,097	195,670
Non-controlling interests		124,762	192,326
		432,859	387,996
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (in RMB cents)	23	11.30	7.18

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated, Note 27)
Profit for the period	432,859	387,996
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	(639)	(449)
Total comprehensive income for the period	432,220	387,547
Total comprehensive income for the period attributable to:		
– Owners of the Company	307,458	195,221
– Non-controlling interests	124,762	192,326
	432,220	387,547

The notes on pages 12 to 43 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 2022

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 Note 15	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2021	2,726,200	(281,594)	3,387,205	5,831,811	6,766,004	12,597,815
Business combination under common control	–	921,762	(38,555)	883,207	(11,588)	871,619
Balance at 1 January 2021 (Restated, Note27)	2,726,200	640,168	3,348,650	6,715,018	6,754,416	13,469,434
Comprehensive income						
Profit for the period (Restated, Note27)	–	–	195,670	195,670	192,326	387,996
Other comprehensive income:						
Changes in the fair value of financial assets at fair value through other comprehensive income	–	(449)	–	(449)	–	(449)
– Gross	–	(597)	–	(597)	–	(597)
– Related deferred income tax	–	148	–	148	–	148
Total comprehensive income for the six months ended 30 June 2021	–	(449)	195,670	195,221	192,326	387,547
Transactions with owners in their capacity as owners						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	7,350	7,350
2020 final dividends	–	–	(76,334)	(76,334)	–	(76,334)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(4,290)	(4,290)
Balance at 30 June 2021 (Restated, Note27)	2,726,200	639,719	3,467,986	6,833,905	6,949,802	13,783,707

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 Note 15	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2022	2,726,200	(510,799)	3,671,222	5,886,623	4,776,122	10,662,745
Comprehensive income						
Profit for the period	–	–	308,097	308,097	124,762	432,859
Other comprehensive income:						
Changes in the fair value of financial assets at fair value through other comprehensive income	–	(639)	–	(639)	–	(639)
– Gross	–	(852)	–	(852)	–	(852)
– Related deferred income tax	–	213	–	213	–	213
Total comprehensive income for the six months ended 30 June 2022	–	(639)	308,097	307,458	124,762	432,220
Transactions with owners in their capacity as owners						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	2,940	2,940
Transactions with non-controlling shareholders of subsidiaries (Note26)	–	(104,816)	–	(104,816)	(691,282)	(796,098)
2021 final dividends	–	–	(57,250)	(57,250)	–	(57,250)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(26,968)	(26,968)
Balance at 30 June 2022	2,726,200	(616,254)	3,922,069	6,032,015	4,185,574	10,217,589

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated, Note 27)
Cash flows from operating activities		
Net cash generated from operations	1,050,397	381,472
Interest paid	(224,847)	(111,955)
Income tax paid	(147,443)	(112,639)
Net cash generated from operating activities	678,107	156,878
Cash flows from investing activities		
Purchases of property, plant and equipment, intangible assets	(306,837)	(198,970)
Proceeds from settlement of property, plant and equipment, and intangible assets	11,606	4,969
Capital injection to a joint venture	—	(3,060)
Interest received	23,823	18,113
Dividends received	3,856	540
Cash received from disposal of financial assets at fair value through profit or loss	—	1,948,128
Cash paid for acquisition of financial assets at fair value through profit or loss	(396,000)	—
Cash received from disposal of financial assets at fair value through other comprehensive income	—	6,277
Cash paid for acquisition of financial assets at fair value through other comprehensive income	—	(6,351)
Cash paid for business combination	(38,300)	—
Net increase in restricted cash	(580,826)	(164,902)
Net increase in term deposits with initial term over three months	—	(552,220)
Net cash (used in)/generated from investing activities	(1,282,678)	1,052,524
Cash flows from financing activities		
Proceeds from borrowings	12,065,561	5,640,388
Repayments of borrowings	(9,131,250)	(5,723,184)
Purchase of interests from non-controlling shareholders of a subsidiary	(788,223)	—
Settlements of lease liabilities	(51,820)	(43,786)
Loan from a related party	150,000	15,320
Repayments of loan from a related party	(1,058,000)	—
Contribution from non-controlling shareholders of subsidiaries	2,940	7,350
Dividends paid to non-controlling shareholders of subsidiaries	(45,891)	(33,691)
Net cash generated from/(used in) financing activities	1,143,317	(137,603)
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	2,971,304	719,738
Exchange gains/(losses) on cash and cash equivalents	11,235	(3,937)
Cash and cash equivalents at end of period	3,521,285	1,787,600

The notes on pages 12 to 43 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 2022

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 “Hong Kong Stock Exchange”). 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; the trading of merchandise and investment holding.

The Directors of the Company regard Xiamen Port Holding Group Co., Ltd. (“XPHG”) as being the immediate holding company of the Company, which is established in the PRC.

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 26 August 2022.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2022 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 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

On 10 December 2021, Xiamen Container Terminal Group Company Limited (“Xiamen Terminal Group”), a subsidiary of the Company, acquired a 100% equity interest of Xiamen Port Haitong Terminal Company Limited (“Haitong Terminal”), which are under common control of XPHG.

The Company has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the business combinations under common control. Haitong Terminal has been under control of XPHG from its start of operation in 2010. Therefore, the financial information of Haitong Terminal has been combined in the consolidated financial statements of the Company since 1 January 2010, as if the combination had occurred since then. The comparative amounts in the consolidated financial statements are restated accordingly.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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 2021, 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 2022 as described in note (a) below.

(a) New standards and amendments adopted by the Group in 2022

The following new standards and amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2022:

		Effective for annual periods beginning on or after
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Improvements to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

3. Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(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 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretations 5 (2020)	Hong Kong Interpretations 5 (2020) presentation of financial statements- classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS1, HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

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 2021.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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 2021.

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, additional bank borrowings and bond issuing.

As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB1,028 million. As at 30 June 2022, the available unused financing facilities of the Group amounted to RMB28,098 million. Based on the cash inflows from operating activities and the financing facilities available to the Group, the Board believes that the Group will continue to receive sufficient 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. Accordingly, these condensed consolidated interim financial statements are prepared on a going-concern basis.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Unaudited						
At 30 June 2022						
Borrowings	6,874,461	1,897,205	5,101,652	626,873	14,500,191	13,890,525
Lease liabilities	125,238	107,505	8,136	–	240,879	230,176
Long-term payables and advances	45	48	166	1,358	1,617	1,617
Accounts and notes payable	1,988,588	–	–	–	1,988,588	1,988,588
Other payables and accruals	815,608	–	–	–	815,608	815,608
	9,803,940	2,004,758	5,109,954	628,231	17,546,883	16,926,514
Audited						
At 31 December 2021						
Borrowings	8,117,873	783,798	2,647,918	704,422	12,254,011	11,765,171
Lease liabilities	113,910	100,882	12,632	–	227,424	216,605
Long-term payables and advances	45	48	166	1,403	1,662	1,662
Accounts and notes payable	1,886,082	–	–	–	1,886,082	1,886,082
Other payables and accruals	851,579	–	–	–	851,579	851,579
	10,969,489	884,728	2,660,716	705,825	15,220,758	14,721,099

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 2022

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 2022:

	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	7,308	–	24,635	31,943
– Equity investments listed in the mainland of PRC	7,308	–	–	7,308
– Notes receivables	–	–	18,752	18,752
– Unlisted equity investments	–	–	5,883	5,883
Financial assets at fair value through profit or loss	3	400,000	45,813	445,816
– Wealth management products	–	–	45,813	45,813
– Structure deposit	–	400,000	–	400,000
– National debt reverse repurchase	3	–	–	3

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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 2021:

	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	8,160	—	86,786	94,946
– Equity investments listed in the mainland of PRC	8,160	—	—	8,160
– Notes receivables	—	—	81,053	81,053
– Unlisted equity investments	—	—	5,733	5,733
Financial assets at fair value through profit or loss	4	—	45,813	45,817
– Wealth management products	—	—	45,813	45,813
– National debt reverse repurchase	4	—	—	4

During the six months ended 30 June 2022, there are no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets, which is the structured deposit.

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 2022

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 2022	169,094	12,857,042	188,998	4,671,060	17,886,194
Additions	—	291,804	365	71,625	363,794
Transfer	89,788	(198,131)	5,979	102,364	—
Disposals	—	(5,725)	—	—	(5,725)
Depreciation and amortisation charge	(5,039)	(324,910)	(5,166)	(111,024)	(446,139)
Net book amount as at 30 June 2022	253,843	12,620,080	190,176	4,734,025	17,798,124

	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 2021 (Restated)	153,978	12,846,526	188,063	4,802,720	17,991,287
Additions	—	215,271	1,836	6,376	223,483
Transfer	—	(1,547)	1,547	—	—
Disposals	—	(4,365)	(199)	—	(4,564)
Depreciation and amortisation charge	(3,856)	(321,927)	(4,676)	(102,841)	(433,300)
Net book amount as at 30 June 2021 (Restated)	150,122	12,733,958	186,571	4,706,255	17,776,906

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

7. Interests in joint ventures

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At 1 January	132,628	121,178
Additions	—	3,060
Share of results before income tax	5,524	7,075
Share of income tax expense	(1,380)	(1,196)
	4,144	5,879
At 30 June	136,772	130,117

8. Interests in associates

Movement in interests in associates is set out as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At 1 January	184,458	169,758
Dividends received	(2,872)	—
Share of results before income tax	14,123	17,207
Share of income tax expense	(3,502)	(381)
	10,621	16,826
At 30 June	192,207	186,584

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

9. Accounts receivable

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Accounts receivable – third parties	1,663,374	1,179,842
Less: expected credit loss allowance	(80,995)	(83,282)
	1,582,379	1,096,560
Accounts receivable		
Due from the immediate holding company (Note 25(b))	810	–
Due from fellow subsidiaries (Note 25(b))	25,803	10,202
Due from joint ventures (Note 25(b))	1,340	1,058
Due from associates (Note 25(b))	412	–
Due from other related parties (Note 25(b))	1	121
	1,610,745	1,107,941

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 the immediate holding 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 2022 RMB'000	Audited 31 December 2021 RMB'000
Less than 6 months	1,502,886	956,986
6 months to 1 year	36,222	41,856
1 year to 2 years	356	33,940
2 years to 3 years	56,463	97,822
Over 3 years	95,813	60,619
	1,691,740	1,191,223
Less: expected credit loss allowance	(80,995)	(83,282)
	1,610,745	1,107,941

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Other receivables (a)	517,577	680,424
Less: expected credit loss allowance	(47,838)	(49,050)
Advances to suppliers	494,561	347,825
	964,300	979,199
Due from the immediate holding company (Note 25(b))	5,634	24,885
Due from fellow subsidiaries (Note 25(b))	1,335	279
Due from joint ventures (Note 25(b))	100	2,132
Due from other related parties (Note 25(b))	—	665
Prepayments and deposits	8,909	46,967
	980,278	1,054,127
Less: long-term receivables and prepayments		
— Prepayments for acquisition of property, plant and equipment	(955)	(5,277)
Current portion	979,323	1,048,850

- (a) The balance mainly represents receivable for a Build-Transfer (“BT”) project of RMB33,794,000 (31 December 2021: RMB33,794,000) and VAT to be deducted of RMB197,500,000 (31 December 2021: RMB338,100,000).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

11. Fair value measurement of financial instruments

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Financial assets at fair value through other comprehensive income		
Equity investments listed in the PRC, at fair value	7,308	8,160
Unlisted equity investments	5,883	5,733
Notes receivable	18,752	81,053
	31,943	94,946
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss (a)		
– Structure deposits	400,000	–
– Wealth management products (a)	45,813	45,813
– National debt reverse repurchase	3	4
	445,816	45,817
	477,759	140,763

- (a) As at 30 June 2022, the Group held certain financial assets at fair value through profit or loss of RMB445,816,000, of which RMB400,000,000 was structure deposits, RMB45,813,000 was wealth management products and RMB3,000 was national debts reverse repurchases (31 December 2021: RMB45,813,000 was wealth management, and RMB4,000 was national debt reverse repurchase).

For the year ended 30 June 2022, reversals of fair value losses with an amount of RMB4,000,000 (year ended 31 December 2021: provision of fair value losses with an amount of RMB1,200,000) were recognised in profit or loss for certain past due wealth management products with carrying amount of RMB113,113,000 (31 December 2021: RMB117,113,000).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

12. Accounts and notes payable

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Accounts payable	1,144,076	1,501,181
Due to the immediate holding company (Note 25(b))	9,441	7,801
Due to fellow subsidiaries (Note 25(b))	102,435	81,737
Due to joint ventures (Note 25(b))	1,213	—
Due to associates (Notes 25(b))	2	1,788
Due to other related parties (Note 25(b))	8,029	4,546
Notes payable	723,392	289,029
	1,988,588	1,886,082

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Within 1 year	1,900,181	1,769,936
1 year to 2 years	78,713	82,919
2 years to 3 years	6,972	22,316
Over 3 years	2,722	10,911
	1,988,588	1,886,082

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

The amounts due to the immediate holding company, fellow subsidiaries, associates, 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 2022

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Due to the immediate holding company (Note 25(b))	11,618	11,618
Due to fellow subsidiaries (Note 25(b))	9,752	12,643
Due to associates (Note 25(b))	18,050	18,000
Due to joint ventures (Note 25(b))	2,634	2,585
Payables for purchases of property, plant and equipment and construction-in-progress	76,020	91,033
Salary and welfare payables	205,812	199,289
Customer deposits	115,085	147,578
Accrued expenses	6,859	2,394
Dividends payable to		
– shareholders of the company (Note 25(b))	60,361	3,111
– non-controlling shareholders of subsidiaries (Note 25(b))	11,432	30,355
Interest payable	32,988	54,195
Payables for business combinations	8,011	46,311
Other payables	258,603	234,129
	817,225	853,241
Less: long-term payables and advances		
– Others	(1,617)	(1,662)
Current portion	815,608	851,579

As at 30 June 2022, the payables due to the immediate holding company, fellow subsidiaries, and joint ventures and other related parties are unsecured, interest free and with no fixed repayment term, except for borrowings of RMB18,000,000 from associates bearing interest of 3.68% 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 2022

14. Borrowings

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Non-current		
Long-term bank borrowings	1,270,781	1,555,371
Borrowings from the immediate parent company	150,000	—
Debentures (c)	5,148,579	2,136,458
	6,569,360	3,691,829
Current		
Short-term bank borrowings	3,143,911	2,182,200
Long-term bank borrowings – current portion	77,254	253,142
Borrowings from the immediate parent company	—	1,058,000
Debentures (d)	4,100,000	4,580,000
	7,321,165	8,073,342
Total borrowings	13,890,525	11,765,171
Representing:		
– guaranteed (a)	554,615	580,400
– secured (b)	678,937	167,020
– unguaranteed and unsecured	12,656,973	11,017,751
Total borrowings	13,890,525	11,765,171

(a) As at 30 June 2022, bank borrowings of RMB554,615,000 were guaranteed by by non-controlling shareholders of subsidiaries (31 December 2021: RMB580,400,000).

(b) As at 30 June 2022, bank borrowings of RMB78,228,000 (31 December 2021: RMB100,520,000) were secured by the Group's land use rights with carrying amount of RMB38,050,000 (31 December 2021 RMB44,749,846), bank borrowings of RMB70,000,000 (31 December 2021: RMB66,500,000) were secured by the Group's sea use rights with carrying amount of RMB171,095,000 (31 December 2021 RMB173,401,000), USD bank borrowings of RMB530,709,000 (31 December 2021: Nil) were secured by USD restricted cash of RMB530,709,200 (31 December 2021: Nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

14. Borrowings (continued)

- (c) On 19 April 2021, the Company issued the first tranche of Medium-term Notes with a term of three years and a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.65% per annum (the "2021 XIP First Tranche Medium-term Notes").

On 21 October 2021, the Company issued the first tranche of Corporate Bonds with a term of five year and a total principal amount of RMB900,000,000 at a fixed interest rate of 3.43% per annum (the "2021 XIP First Tranche Corporate Bonds"). Pursuant to the principal terms of the "2021 XIP First Tranche Corporate Bonds", at the end of 2024, XIP is entitled to adjust the interest rate for the remaining term and the holders of the "2021 XIP First Tranche Corporate Bonds" may sell back all or part of their bonds to the Company at the nominal value.

On 21 February 2022, the Company issued the first tranche of Medium-term Notes with a term of three years and a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.00% per annum (the "2022 XIP First Tranche Medium-term Notes").

On 20 April 2022, the Company issued the first tranche of Corporate Bonds with a term of five year and a total principal amount of RMB1,800,000,000 at a fixed interest rate of 3.05% per annum (the "2022 XIP First Tranche Corporate Bonds"). Pursuant to the principal terms of the "2022 XIP First Tranche Corporate Bonds", at the end of 2025, XIP is entitled to adjust the interest rate for the remaining term and the holders of the "2022 XIP First Tranche Corporate Bonds" may sell back all or part of their bonds to the Company at the nominal value.

- (d) On 19 January 2022, 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 RMB1,100,000,000 at a fixed interest rate of 2.25% per annum (the "First Tranche Super Short-term Notes").

On 28 February 2022, the Company issued the third Super Short-term Notes with a term of 179 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.27% per annum (the "Third Tranche Super Short-term Notes").

On 7 March 2022, the Company issued the fourth Super Short-Term Notes with a term of 150 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.19% per annum (the "Fourth Tranche Super Short-Term Notes").

On 12 April 2022, the Company issued the fifth Super Short-Term Notes with a term of 150 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.2% per annum (the "Fifth Tranche Super Short-Term Notes").

On 20 April 2022, the Company issued the sixth Super Short-Term Notes with a term of 177 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.28% 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 2022

14. Borrowings (continued)

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000 (Restated)
At 1 January	11,765,171	8,482,105
Other additions	12,271,484	6,740,441
Changes in amortised costs of corporate bonds	613	4,144
Repayments	(10,189,250)	(6,773,184)
Exchange differences	42,507	(3,652)
At 30 June	13,890,525	8,449,854

15. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2022 and 31 December 2021	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 2022 and 2021, 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; and (4) 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 2022

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 2022 and 2021 are as follows:

	For the six months ended 30 June 2022 (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	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	1,265,412	518,359	681,719	11,515,534	13,981,024
Inter-segment revenues	–	–	(221,880)	–	(221,880)
Revenues	1,265,412	518,359	459,839	11,515,534	13,759,144
Operating profit	462,740	82,491	132,504	60,989	738,724
Finance income					23,532
Finance costs					(207,231)
					555,025
Share of profits less losses of joint ventures	–	–	4,144	–	4,144
Share of profits less losses of associates	–	–	3,785	6,836	10,621
Profit before income tax					569,790
Income tax expense					(136,931)
Profit for the period					432,859
Other information					
Depreciation	194,058	87,181	44,918	3,792	329,949
Amortisation	78,643	14,946	20,689	1,912	116,190
Net provision/(reversal of) for impairment of inventories	25	–	–	(29,771)	(29,746)
Net impairment losses/(reversals) on financial assets	20	70	(195)	(3,409)	(3,514)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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 2022 and 2021 are as follows (continued):

	For the six months ended 30 June 2021 (unaudited)				
	Container loading and unloading and storage business RMB'000 (Resated)	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Merchandise trading business RMB'000	Total RMB'000 (Resated)
Total segment revenues	1,134,759	437,880	541,445	10,423,572	12,537,656
Inter-segment revenues	–	–	(159,212)	–	(159,212)
Revenues	1,134,759	437,880	382,233	10,423,572	12,378,444
Operating profit	381,109	59,883	104,520	50,167	595,679
Finance income					18,112
Finance costs					(128,346)
					485,445
Share of profits less losses of joint ventures	–	–	5,879	–	5,879
Share of profits less losses of associates	276	–	1,271	15,279	16,826
Profit before income tax					508,150
Income tax expense					(120,154)
Profit for the period					387,996
Other information					
Depreciation	194,233	85,756	42,702	3,092	325,783
Amortisation	75,059	14,847	15,797	1,814	107,517
Net (reversal of)/provision for impairment of inventories	(91)	–	–	35,645	35,554
Net impairment losses/(reversals) on financial assets	8	(52)	523	4,546	5,025

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

16. Segment information (continued)

The segment assets and liabilities provided to the chief operating decision-maker for the reportable segments as at 30 June 2022 and 31 December 2021 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	Merchandise trading business RMB'000	Total RMB'000
Unaudited					
As at 30 June 2022					
Segment assets	15,648,150	5,173,465	2,992,120	3,624,277	27,438,012
Including:					
Interests in joint ventures	6,066	–	130,706	–	136,772
Interests in associates	2,191	–	30,849	159,167	192,207
Additions to non-current assets	103,061	134,874	125,226	633	363,794
Segment liabilities	648,905	396,708	841,748	1,740,847	3,628,208
Audited					
As at 31 December 2021					
Segment assets	15,143,234	5,011,030	2,517,628	3,377,773	26,049,665
Including:					
Interests in joint ventures	6,066	–	126,562	–	132,628
Interests in associates	2,431	–	31,087	150,940	184,458
Additions to non-current assets	279,900	356,925	159,950	2,050	798,825
Segment liabilities	640,910	325,824	845,980	1,755,124	3,567,838

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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

16. Segment information (continued)

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

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable, 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.

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Total segment assets	27,438,012	26,049,665
Add: deferred income tax assets	271,219	280,109
Financial assets at fair value through other comprehensive income	31,943	94,946
Financial assets at fair value through profit or loss	445,816	45,817
Derivative financial instruments	4,453	—
Total assets per consolidated balance sheet	28,191,443	26,470,537

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Total segment liabilities	3,628,208	3,567,838
Add: deferred income tax liabilities	384,430	387,191
Taxes payable	70,691	87,332
Borrowings	13,890,525	11,765,171
Derivative financial instruments	—	260
Total liabilities per consolidated balance sheet	17,973,854	15,807,792

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

17. Other income

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Government subsidies	106,638	70,274
Rental income	30,372	27,926
Dividend income	984	540
Others	20,502	18,638
	158,496	117,378

18. Other (losses)/gains – net

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
(Losses)/gains on fair value movements of derivative financial instruments		
– Unrealised gains/losses	4,357	(826)
– Realised losses	(4,141)	(6,184)
Gains on disposal of property, plant and equipment	5,881	405
Fair value gains of financial assets at fair value through profit or loss	4,000	200
Claim income	–	11,925
Exchange (losses)/gains	(41,213)	3,726
Others	(1,117)	989
	(32,233)	10,235

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

19. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Cost of inventories sold/consumed	11,555,776	10,435,821
Employee benefit expenses	747,537	662,275
Distribution, transportation and labor outsourcing	309,710	216,375
Depreciation of		
– investment properties	5,039	3,856
– property, plant and equipment	324,910	321,927
Amortization of		
– intangible assets	5,166	4,676
– right-of-use assets	111,024	102,841
Repairs and maintenance	28,518	30,556
General office expenses	24,626	16,234
Stamp duty and real estate tax	21,886	21,429
Short-term or low-value		
operating lease rentals in respect of property, plant and equipment	19,332	17,320
Advertising and marketing expenses	10,972	11,450
Insurance expenses	8,130	8,396
Auditors' remuneration	1,678	1,678
Dredging expenses	989	9,216
Net (reversal of)/provision for impairment of inventories	(29,746)	35,554
Others	4,650	5,749
	13,150,197	11,905,353

20. Finance income and costs

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Interest income	23,532	18,112
Interest cost on borrowings	(203,640)	(143,796)
Interest portions of lease liabilities	(6,634)	(5,863)
Less: amounts capitalised	9,557	13,935
Net foreign exchange (losses)/gains	(6,514)	7,378
	(207,231)	(128,346)
Finance costs – net	(183,699)	(110,234)

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 2022 is 4.6% per annum (same period of 2021: 4.3%).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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% (same period of 2021: 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 2022 (same period of 2021: Nil).

(b) PRC corporate income tax

Approved by Xiamen Municipal Bureau of Finance in the second half of 2021, Xiamen Songyu Container Terminal Co., Ltd (“Songyu Terminal”), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax from 2021 to 2023. The income tax rate of Songyu Terminal for the six months ended 30 June 2022 is 15% (same period of 2021: 25%).

Approved by Xiamen Municipal Bureau of Finance in the second half of 2021, Xiamen Hairun Container Terminal Co., Ltd. (“Hairun Terminal”), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax from 2021 to 2023. The income tax rate of Hairun Terminal for the six months ended 30 June 2022 is 15% (same period of 2021: 25%).

Approved by Xiamen Municipal Bureau of Finance, Xiamen Terminal Group, a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax from 2021 to 2023. The income tax rate of Xiamen Terminal Group for the six months ended 30 June 2022 is 15% (same period of 2021: 15%).

Except for Xiamen Terminal Group, Songyu Terminal, Hairun Terminal, 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 2022 (same period of 2021: except for Xiamen Terminal Group, Xiamen International Container Terminals Ltd, 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%).

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
PRC corporate income tax expense	130,802	131,996
Deferred income tax charge	6,129	(11,842)
	136,931	120,154

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

22. Dividends

At the Board meeting held on 25 March 2022, the Board proposed a final dividend of RMB2.1 cents per share (tax inclusive) totaling RMB57,250,000 for the year ended 31 December 2021 (The "2021 Final Dividend"). The proposal was subsequently approved at the annual general meeting on 10 June 2022. The 2021 final dividend has been reflected as an appropriation of retained earnings during the six months ended 30 June 2022.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (same period of 2021: Nil).

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 2022	2021 (Restated)
Profit attributable to owners of the Company (in RMB)	308,097,000	195,670,000
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)	11.30	7.18

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 2022 RMB'000	Audited 31 December 2021 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred:	438,705	319,971

Committed capital expenditures as at 30 June 2022 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 2022 but the related capital expenditures had not been incurred as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

24. Commitments (continued)

(b) Lease commitments

As at 30 June 2022, the future minimum lease payments under non-cancellable operating leases which have not been recorded as lease liabilities are as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Leases within one year	1,464	4,097
Low-value leases	566	399
	2,030	4,496

25. Significant related party transactions

(a) In addition to those disclosed elsewhere in these condensed consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during six months ended 30 June 2022 and 2021 and balances arising from these significant related party transactions:

	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000 (Restated)
Transactions with the immediate holding company		
<i>Revenues</i>		
Electricity supply and maintenance services	92	72
<i>Expenses</i>		
Short-term and low value leases in respect of land, port facilities and office premises	6,488	4,485
Transactions with fellow subsidiaries		
<i>Revenues</i>		
Port services	14,105	11,774
Electricity supply and maintenance services	6,317	4,989
<i>Expenses</i>		
Office and property management	8,042	5,502
Operating lease in respect of land and office premises	12,812	4,145
Labour services	76,266	68,610
Information services	5,855	—
<i>Others</i>		
Purchases of property, plant and equipment	28,619	7,184

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

25. Significant related party transactions (continued)

- (a) In addition to those disclosed elsewhere in these condensed consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during six months ended 30 June 2022 and 2021 and balances arising from these significant related party transactions (continued):

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Transactions with joint ventures		
<i>Revenues</i>		
Power supply and maintenance and electrical equipment maintenance	6	62
Loading and unloading services	6,994	10,485
Transactions with other related parties		
<i>Revenues</i>		
Loading and unloading services	18,931	16,495
<i>Expenses</i>		
Purchases of commercial goods	37,839	10,632
Transactions with associates		
<i>Revenues</i>		
Transportation services	—	751
Interest charged for borrowings	218	294

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 2022

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 2022 RMB'000	Audited 31 December 2021 RMB'000
Balances with shareholders of the Company		
Dividends payable	60,361	3,111
Balances with the immediate holding company		
Accounts receivable	810	—
Other receivables and prepayments	5,634	24,885
Accounts payable	9,441	7,801
Other payables and accruals	11,618	11,618
Lease liabilities	70,655	15,471
Dividends payable	36,145	—
Borrowings (i)	150,000	1,058,000
Balances with fellow subsidiaries		
Accounts receivable	25,803	10,202
Other receivables and prepayments	1,335	279
Accounts payable	102,435	81,737
Other payables and accruals	9,752	12,643
Lease liabilities	90,279	101,288
Balances with associates		
Accounts receivable	412	—
Accounts payable	2	1,788
Other payables and accruals (ii)	18,050	18,000
Balances with joint ventures		
Accounts receivable	1,340	1,058
Accounts payable	1,213	—
Other receivables and prepayments	100	2,132
Other payables and accruals	2,634	2,585
Balance with non-controlling shareholders of subsidiaries		
Dividends payable	11,432	30,355
Balances with other related parties		
Accounts receivable	1	121
Other receivables and prepayments	—	665
Accounts payable	8,029	4,546

(i) As at 30 June 2022, balances with immediate holding company include borrowings of RMB150,000,000 bearing interest of 3.40% with fixed repayment terms within 1 year.

(ii) As at 30 June 2022, balances with associates include borrowings of RMB18,000,000 bearing interest of 3.68% with fixed repayment terms within 1 year.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

25. Significant related party transactions (continued)

(c) Key management compensation:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,081	2,080
Social security costs including contributions to pension plans	426	363
	2,507	2,443

26. Transaction with non-controlling interests

On 4 January 2022, the Company acquired a 10% equity interests in Xiamen Terminal Group from another shareholders of Xiamen Terminal Group, Pointer Investment (Hong Kong) Limited and Xiamen ITG Group Corp.,Ltd., at a cash consideration of RMB796,098,000. Upon the completion of the above acquisitions, the Company held 100% effective equity interests in Xiamen Terminal Group.

The Group recognized a decrease in non-controlling interests of RMB691,282,000 and a decrease in equity attributable to owners of the Company of RMB104,816,000 for the six months ended 30 June 2022. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	691,282	—
Consideration paid to non-controlling interests	(796,098)	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(104,816)	—

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

27. Business combination under common control

On 11 October 2021, Xiamen Terminal Group, a subsidiary of the Company, entered into an Equity Transfer Agreement with XPHG, the immediate parent company of the Company, pursuant to which Xiamen Terminal Group agreed to acquire the entire equity interests in Haitong Terminal from XPHG at a consideration of RMB970,588,000 (the "Acquisition"), which was equivalent to the valuation amount of the equity of Haitong Terminal as at the valuation date of 31 March 2021, according to valuation conducted by an independent professional appraiser. Upon completion of the Acquisition on 10 December 2021, Haitong Terminal became a wholly owned subsidiary of Xiamen Terminal Group.

Haitong Terminal was established in the PRC in October 2010 and is principally engaged in the operation of container port. Haitong Terminal currently owns the Haitong Terminal located at Songyu berths No. 4 to 6 at the Haicang port area in Xiamen port. Prior to the Acquisition, Xiamen Terminal Group had been leasing Haitong Terminal from Haitong Terminal, hence the income of Haitong Terminal was mainly rental income received from Xiamen Terminal Group.

As both of Haitong Terminal and the Company were majority owned by XPHG before the Acquisition, the Acquisition is considered as a business combination under common control. The excess of the consideration of the Acquisition over the effective interests in Haitong Terminal's net asset of RMB847,105,000 as at the acquisition date has been recorded in equity.

The effects of the business combination under common control on the financial position as at 1 January 2021 and 30 June 2021, comprehensive income and the cash flows of the Group for the six months ended 30 June 2021 are shown in the following tables:

	As at 1 January 2021 (previously stated) RMB'000	Impact of business combination under common control RMB'000	As at 1 January 2021 as presented RMB'000	As at 30 June 2021 (previously stated) RMB'000	Impact of business combination under common control RMB'000	As at 30 June 2021 As presented RMB'000
Equity attributable to owners of the Company						
Share capital	2,726,200	–	2,726,200	2,726,200	–	2,726,200
Reserves	3,105,611	883,207	3,988,818	3,237,909	869,796	4,107,705
	5,831,811	883,207	6,715,018	5,964,109	869,796	6,833,905
Non-controlling interests	6,766,004	(11,588)	6,754,416	6,970,538	(20,736)	6,949,802
Total equity	12,597,815	871,619	13,469,434	12,934,647	849,060	13,783,707

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

27. Business combination under common control (continued)

	For the six months ended 30 June 2021 (previously stated) RMB'000	Impact of business combination under common control RMB'000	For the six months ended 30 June 2021 as presented RMB'000
Revenues	12,378,444	–	12,378,444
Cost of sales	(11,651,319)	(19,038)	(11,670,357)
Gross profit	727,125	(19,038)	708,087
Other income	117,570	(192)	117,378
Other gains – net	10,238	(3)	10,235
Selling and marketing expenses	(28,404)	–	(28,404)
General and administrative expenses	(206,450)	(142)	(206,592)
Net impairment losses on financial assets	(5,025)	–	(5,025)
Operating profit	615,054	(19,375)	595,679
Finance income	18,095	17	18,112
Finance costs	(125,145)	(3,201)	(128,346)
	508,004	(22,559)	485,445
Share of profits less losses of joint ventures	5,879	–	5,879
Share of profits less losses of associates	16,826	–	16,826
Profit before income tax expense	530,709	(22,559)	508,150
Income tax expense	(120,154)	–	(120,154)
Profit for the period	410,555	(22,559)	387,996
Profit attributable to:			
Owners of the Company	209,081	(13,411)	195,670
Non-controlling interests	201,474	(9,148)	192,326
	410,555	(22,559)	387,996
	For the six months ended 30 June 2021 (previously stated) RMB'000	Impact of business combination under common control RMB'000	For the six months ended 30 June 2021 as presented RMB'000
Profit for the period Other comprehensive loss, net of tax	410,555	(22,559)	387,996
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	(449)	–	(449)
Total comprehensive income for the period	410,106	(22,559)	387,547
Total comprehensive income for the period attributable to:			
– Owners of the Company	208,632	(13,411)	195,221
– Non-controlling interests	201,474	(9,148)	192,326
	410,106	(22,559)	387,547

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

27. Business combination under common control (continued)

	For the six months ended 30 June 2021 (previously stated) RMB'000	Impact of business combination under common control RMB'000	For the six months ended 30 June 2021 as presented RMB'000
Net cash generated from operating activities	159,979	(3,101)	156,878
Net cash generated from investing activities	1,052,555	(31)	1,052,524
Net cash used in financing activities	(134,168)	(3,435)	(137,603)
Net change in cash and cash equivalents	1,078,366	(6,567)	1,071,799
Cash and cash equivalents at beginning of period	707,852	11,886	719,738
Exchange gains on cash and cash equivalents	(3,937)	–	(3,937)
Cash and cash equivalents at end of period	1,782,281	5,319	1,787,600

28. Subsequent events

On 28 July 2022, the Company has completed the issue of the seventh tranche of the super short-term notes in 2022 with a term of 120 days and a total principal amount of RMB1,000,000,000 at a fixed interest rate of 1.65% per annum. All the net proceeds from this issue were used for supplementing the working capital of the Group and repaying the Group's interest-bearing debts.

On 8 August 2022, Xiamen Port Development Co., Ltd. ("Port Development"), a subsidiary of the Company, and XPHG, respectively, took the ownership of Xiamen Hailong Terminal Co., Ltd. ("Hailong Terminal"), a subsidiary of the Company, and the 100% equity interest of Xiamen Haihong Petrochemical Terminal Co., Ltd. ("Haihong Terminal"), a subsidiary of XPHG, to jointly increase the capital of Xiamen Port Group Shihushan Terminal Co., Ltd. ("Shihushan Terminal"), a subsidiary of the Company, and meanwhile completed the industrial and commercial change registration. After the capital increase was completed, Port Development and XPHG held 65.08% and 34.92% of Shihushan Terminal respectively, and Haihong Terminal became a wholly-owned subsidiary of Shihushan Terminal.

On 8 August 2022, the registration of the subscription shares newly issued by Port Development have been completed via China Securities Depository and Clearing Corporation Limited, and were listed on 15 August 2022 after review by the Shenzhen Stock Exchange, pursuant to which a total of 116,618,075 shares (representing approximately 18.65% of the total registered share capital of Port Development immediately before the new issue) have been issued to a total of 16 subscribers at a total consideration of RMB799,999,994.50 (i.e. RMB6.86 per subscription share). Subsequent to the completion of the new issue, the Company continues to hold 386,907,522 shares of Port Development, and the shareholding in Port Development by the Company has changed from 61.89% to 52.16%. Port Development remains as a non-wholly owned subsidiary of the Company.

On 19 August 2022, the Company has completed the issue of the eighth tranche of the super short-term notes in 2022 with a term of 147 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 1.50% per annum. All the net proceeds from this issue were used for repaying the Group's interest-bearing debts.

Management Discussion and Analysis

OPERATING RESULTS REVIEW

In the first half of 2022, hit by several worse-than-expected factors, such as the Russia-Ukraine conflict, the constant high price of international commodities, especially the food and energy price, and the sporadic outbreaks of the novel coronavirus (COVID-19) pandemic (the “Pandemic”) within China, the global economic growth slowed down obviously, and China’s economic operation suffered a certain degree of fluctuations and decline in phases in its major economic indicators. Under the complex and evolving situation at home and abroad, the Chinese government has efficiently coordinated the Pandemic prevention and control and economic and social development, enhanced macro policy regulation, and effectively implemented a package of policy measures to stabilize the economy. Accordingly, the Pandemic resurgences have been effectively controlled, and the overall economic operation has been stabilized and rebounded. China’s gross domestic product in the first half of the year increased by 2.5% year-on-year, and its total volume of export and import increased by 9.4% year-on-year. Facing the severe and complicated domestic and foreign trade economic and environment, the Group, while promoting the Pandemic prevention and control, proactively took various countermeasures, continued to promote overall marketing, strengthened strategic cooperation with major shipping companies, strived to improve the business environment and enhanced port services; besides, the Group strengthened capital operation and resources integration, promoted the construction of green and intelligent ports, deepened fine management, strengthened cost decreasing and benefit increasing, and strived to promote the sustainable and stable development of the production and operation of the Group.

During the six months ended 30 June 2022, the Group recorded a total revenue of approximately RMB13,759,144,000, representing an increase of approximately 11.2% as compared with approximately RMB12,378,444,000 in the same period of 2021. Profit attributable to the owners of the Company was approximately RMB308,097,000, representing an increase of approximately 57.5% as compared with approximately RMB195,670,000 (restated) in the same period of 2021. Basic and diluted earnings per share attributable to the owners of the Company were approximately RMB11.30 cents (the same period of 2021: approximately RMB7.18 cents) (restated). The increase in revenue was mainly due to the increase in revenue from the container business, the bulk/general cargo business and the merchandise trading business of the Group. Profit attributable to the owners of the Company has increased due to the overall profit growth and acquisition of non-controlling interest of Xiamen Terminal Group in the second half of 2021.

BUSINESS REVIEW

The Group is principally engaged in the relevant port terminal businesses at 33 self-owned berths and four leased berths in Dongdu port area and Haicang port area in Xiamen, four self-owned berths in Quanzhou port (“Huajin Terminal”), one leased berth in Qingzhou operating area in Fuzhou (“Fuzhou Zhongying Terminal”) and two self-owned berths in the new port area of Sanbaimen, Chaozhou City, Guangdong Province (“Chaozhou Xiaohongshan Terminal”), including container port operations, bulk/general cargo port operations and port comprehensive logistics services.

In addition, the Group is also engaged in merchandise trading business (such as chemical products and steel).

Management Discussion and Analysis (Continued)

Container Port Business

In the first half of 2022, the Group achieved a total throughput of 4,788,915 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		
	2022 (TEUs)	2021 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group ¹	2,441,386	2,436,836	1.9%
XICT and XHICT ²	633,618	585,118	8.3%
Songyu Terminal ³	744,274	765,192	(2.7%)
Xinhaida Terminal ³	627,718	683,629	(8.2%)
Total throughput in Xiamen region	4,446,996	4,470,775	(0.5%)
Fuzhou Zhongying Terminal ⁴	146,011	143,790	1.5%
Quanzhou Huajin Terminal ⁵	128,061	148,238	(13.6%)
Chaozhou Xiaohongshan Terminal ⁶	67,847	16,608	308.5%
Total throughput	4,788,915	4,779,411	0.2%

¹ Since 1 January 2016, Xiamen Terminal Group and its wholly-owned subsidiary Hairun Terminal have successively leased and operated Haitong Terminal (Songyu berths No. 4 to No. 6) from Xiamen Haitong Terminals Co., Ltd. (“Haitong Terminal Company”), a former wholly-owned subsidiary of Xiamen Port Holding and becoming a wholly-owned subsidiary of Xiamen Terminal Group in December 2021 due to equity transaction accordingly, due to their business development needs. Since January 2017, Xiamen Terminal Group has leased the relevant berths in Haixiang Terminal for the operation of container business. Therefore, for the purpose of the operating information set out in this chart, the related 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 the Haicang port area of Xiamen port and the relevant berths in Haixiang Terminal.

² Xiamen International Container Terminals Limited (“XICT”) and Xiamen Haicang International Container Terminals Ltd. (“XHICT”) are 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 of XICT and XHICT, the relevant operating information of XICT also incorporated the figures of XHICT, both were consolidated in the calculation and were fully incorporated into the port business. The Company has 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 its interest accounted for under the equity method. Pursuant to the relevant agreed arrangement entered into on 28 November 2016, XHICT has become a subsidiary of the Group accordingly. Pursuant to the relevant agreed arrangement entered into on 15 May 2017, XICT has become a subsidiary of the Group accordingly.

³ Songyu Terminal and Xinhaida Terminal are terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, and the relevant operating figures of the two terminals were 100% incorporated into the port business.

⁴ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Fuzhou Zhongying Gangwu Co., Ltd. (“Zhongying Gangwu”) for operating container and general cargo loading and unloading business as well as port-related comprehensive logistics business.

Management Discussion and Analysis (Continued)

- ⁵ Quanzhou Huajin Terminal has been incorporated into the Group at the end of October 2017, becoming a terminal directly or indirectly controlled by the Group and Xiamen Port Development Co., Ltd. ("Xiamen Port Development"). Quanzhou Huajin Terminal originally owned berths No. 1 to No. 3. After Quanzhou Huajin Terminal No. berth 4 was put into operation in October 2021, Quanzhou Huajin Terminal currently operates four berths.
- ⁶ Chaozhou Xiaohongshan Terminal (berths No. 1 and No. 2 in the new port area of Sanbaimen, Chaozhou) has been put into operation since June 2020 and is now in the incubation period.

In the first half of 2022, the Group's container business as a whole recorded a slight year-on-year growth of approximately 0.2%. The container business in the Xiamen region slightly decreased by approximately 0.5% as compared with the corresponding period in 2021, of which: (1) international trade container business completed approximately 3.222 million TEUs in the first half of 2022, representing a year-on-year growth of approximately 5.3%, mainly benefiting from the sustained recovery of the foreign trade shipping market, which led to a slight growth of approximately 2.3% in the Group's foreign trade local container business, as well as an increase of approximately 8.3% in the international trade container transshipment business and a significant growth in the empty container transfer business; and (2) the domestic trade container business totaled at approximately 1.225 million TEUs in the first half of 2022, representing a year-on-year decrease of approximately 13.2%. The main influencing factors were that the Group's domestic trade local container business and domestic trade container transshipment business were both on a downward trend, decreased by approximately 7.6% and 22.8% year-on-year respectively, due to the strong demand for foreign trade attracting the transfer from domestic trade vessel capacity to foreign trade and the alliance of domestic trade shipping enterprises carrying out cabin sharing operation, straightening of domestic trade shipping routes and frequent Pandemic outbreaks in many provinces and cities such as Shanghai and Guangdong. The container business of Fuzhou Zhongying Terminal increased slightly by approximately 1.5% over the same period of 2021, mainly due to the high growth of its major domestic trade container line business, as well as the steady growth of its Fuzhou-Ningbo and other container feeder business and Fuzhou-Taiwan container line business, which generally offset the decline in the Fuzhou-Xiamen container feeder business. The container throughput of Huajin Terminal decreased by approximately 13.6% in the first half of the year compared with the same period of the previous year, mainly due to the impact of the Pandemic and the Russia-Ukraine conflict on China's economy, port and shipping logistics transportation resulting in reduced cargo sources and increased costs, as well as factors such as the tight capacity of domestic trade and the tilting of capacity resources to trunk ports by carriers. The container throughput of Chaozhou Xiaohongshan Terminal increased approximately threefold in the first half of the year, mainly benefiting from the progress in cultivating container business as its strategic partner carriers clustered to open container trunk lines at the terminal.

In response to the aforementioned decline in container business in domestic trade, the Group endeavored to strengthen strategic cooperation with major domestic trade carriers, reinforce headquarters marketing and joint marketing, and actively adopt targeted business strategies in an effort to develop its port business. Meanwhile, the Group also continued to improve its service capability and port business environment so as to attract shipping routes and cargo sources, and promote the sustainable development of its container business.

Management Discussion and Analysis (Continued)

Bulk/General Cargo Port Business

In the first half of 2022, the total bulk/general cargo throughput achieved by the Group was 18,103,069 tonnes, details of which are as follows:

	Bulk/general cargo throughput For the six months ended 30 June		
	2022 (tonnes)	2021 (tonnes)	Increase
Hailong Terminal, ITG Terminal and Songyu Terminal ¹	4,606,265	4,356,355	5.7%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal ²	9,421,058	8,844,331	6.5%
Total throughput in Xiamen	14,027,323	13,200,686	6.3%
Fuzhou Zhongying Terminal ³	28,496	23,215	22.8%
Quanzhou Huajin Terminal ⁴	3,771,608	2,338,920	61.3%
Chaozhou Xiaohongshan Terminal ⁵	275,642	81,790	237.0%
Total throughput	18,103,069	15,644,611	15.7%

¹ ITG Terminal, which has been leased by Xiamen Port Development and Xiamen Hailong Terminal Co., Ltd (“Hailong Terminal Company”) successively and respectively since April 2014 for the operation of bulk/general cargo business. In addition, Xiamen Port Development and Hailong Terminal Company have leased the relevant assets of XICT since 1 July 2015 successively and respectively for the operation of the bulk/general cargo business; Hailong Terminal Company has leased the relevant berths of Haixiang Terminal for the operation of bulk/general cargo business since January 2017; the general cargo business of Songyu Terminal has been taken over by Hailong Terminal Company since November 2017, its relevant operating figures were 100% incorporated in the port business. Therefore, for the purpose of the operating information set out in this chart, the related operating figures for the bulk/general cargo businesses of Hailong Terminal, ITG Terminal and Songyu Terminal included those of berths of Hailong Terminal, ITG Terminal, Songyu Terminal, XICT Terminal and Haixiang Terminal.

² 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 berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port since April 2018. Therefore, for the purpose of the operating information set out in this chart, the related operating figures of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal included the related figures of the three terminals and Mingda Terminal.

³ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operation of its container and general cargo loading and unloading businesses and its port-related comprehensive logistics business.

⁴ Quanzhou Huajin Terminal has been incorporated into the Group at the end of October 2017, becoming a terminal directly or indirectly controlled and operated by the Group and Xiamen Port Development. Quanzhou Huajin Terminal originally owned berths No. 1 to No. 3. After Quanzhou Huajin Terminal No. berth 4 was put into operation in October 2021, Quanzhou Huajin Terminal currently operates four berths.

⁵ Chaozhou Xiaohongshan Terminal (berths No. 1 and No. 2 in the new port area of Sanbaimen, Chaozhou) has commenced operation since June 2020 and is now in the incubation period.

Management Discussion and Analysis (Continued)

Compared with the first half of 2021, the Group's bulk/general cargo business grew by approximately 15.7% during the Reporting Period. Among others, the bulk/general cargo business in Xiamen region grew by approximately 6.3% year-on-year, mainly because: (1) benefiting from the expected steady growth in the PRC, the demand for raw materials remained at a high level due to the rising procurement and production demand of steel mills, resulting in a significant overall growth of approximately 23.3% in iron ore throughput at Shihushan Terminal while maintaining a relatively stable coal throughput; (2) Hailong Terminal strengthened communication with customers and shipowners and rationalized site planning, resulting in varying degrees of growth in imported grain, foreign trade steel and imported copper concentrate business. Fuzhou Zhongying Terminal strengthened cooperation with major customers and expanded its domestic steel coil business, with its general cargo business increasing by approximately 22.8% compared with the same period of the previous year. Quanzhou Huajin Terminal experienced a significant growth in sand and gravel business in the first half of 2022 and actively expanded fly ash business and new cargoes such as clay, with throughput of its bulk/general cargo business increasing by approximately 1.433 million tonnes or approximately 61.3% over the same period of the previous year. Chaozhou Xiaohongshan Terminal benefited from the steady development of cement business after the commencement of the cement storage tank project of the relevant cargo owner. The total throughput of the cement business was approximately 276,000 tonnes in the first half of 2022, which led to a significant increase in the bulk and general cargo throughput of the terminal.

Port Comprehensive Logistics Services

The Group witnessed a stable development in port comprehensive logistics services in the first half of 2022, with the market share of shipping agency, tallying, tugboat-assisted berthing and unberthing, and port related logistics services within Xiamen port remaining at a leading position. In the first half of 2022, the Group's tugboat-assisted berthing and unberthing business demonstrated synergistic development within and outside Xiamen port, and stable growth in production and operation; the shipping agency business, despite the global Pandemic and market factors affecting the growth of its major business, promoted steady growth in corporate economic efficiency by improving service quality, adjusting tariffs for certain business items and making full use of business support policies. Its innovative financial service application based on the function of bill of lading property right certificate of intermodal "One-bill Coverage" mechanism was successfully implemented in the first half of 2022. The tallying business, together with the transformation of the terminal TOS system, actively promoted the transformation of intelligent tallying and the integration of tallying businesses. Breakthroughs were made in the integration of port tallying, and the quarantine inspection and sterilization business undertaken by it grew steadily. The business operation of port-related logistics services showed an overall positive trend, with bonded business, LCL (i.e. less than container load) warehousing business and empty container business growing by approximately 29.2%, 4.2% and 9.2%, respectively. The Comprehensive Free Trade Zone Export Cross-Border E-Commerce Supervision Center built within Xiamen island has successfully obtained the operation license, and has built a comprehensive cross-border e-commerce offline public service platform integrating cross-border e-commerce import 1210 and export 9610, 9710, 9810 list modes with various declaration functions, which successfully launched the full process operation in May 2022.

Management Discussion and Analysis (Continued)

Merchandise Trading Business

In the first half of 2022, the Group relied on its port business platform, enhanced risk control and sound operation based on its business philosophy of combining port and trade, strengthened strategic cooperation with large state-owned customers taking neighboring port supply chain business as its focus and priority development target, paid close attention to the domestic and foreign economic and trade environment, mainly developed the bulk merchandise trading business with coal, steel, corn, silicon metal and pulp at its core, and deeply cultivated the port supply chain synergy business. The combined business of port and trade accounted for approximately 42.2% of the overall business, effectively contributing to the growth of port throughput and boosting the business revenue of the Group's related member enterprises.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 11.2% from approximately RMB12,378,444,000 for the six months ended 30 June 2021 to approximately RMB13,759,144,000 for the six months ended 30 June 2022, mainly due to the increase in revenue from the container loading and unloading and storage business, the bulk/general cargo loading and unloading business and the merchandise trading business of the Group.

Revenue by business sector

Business	Six months ended 30 June		Increase
	2022 (RMB'000)	2021 (RMB'000) (Restated)	
Container loading and unloading and storage business	1,265,412	1,134,759	11.5%
Bulk/general cargo loading and unloading business	518,359	437,880	18.4%
Comprehensive port logistics service	459,839	382,233	20.3%
Merchandise trading business	11,515,534	10,423,572	10.5%
Total	13,759,144	12,378,444	11.2%

The reasons for the changes in the revenue of each business sector for the six months ended 30 June 2022 compared with the same period of last year are as follows:

1. The revenue of container loading and unloading and storage business of the Group for the six months ended 30 June 2022 increased by approximately 11.5% comparing with the same period of last year, which was mainly due to the increase of the foreign container throughput.
2. The revenue of bulk/general cargo loading and unloading business in this period increased by approximately 18.4% comparing with the same period of last year. The growth in revenue was primarily due to the continuous increase in business volume of the loading and unloading of bulk cargoes in Xiamen Hailong Terminal operation area.

Management Discussion and Analysis (Continued)

3. The revenue of the comprehensive port logistics services in this period increased by approximately 20.3% comparing with the same period of last year, which was mainly because the flourishing import and export business stimulates the thriving business growth of China Ocean Shipping Agency Xiamen Co., Ltd (中國廈門外輪代理有限公司) and Xiamen Port Logistics Co., Ltd. (廈門港務物流有限公司) (“Port Logistics”).
4. The revenue of the Group’s merchandise trading business in this period increased by approximately 10.5% comparing with the same period of last year, which was mainly due to the expansion of non-ferrous metals and aluminum products businesses, which led to a substantial increase in revenue in the current period.

Cost of Sales

Cost of sales of the Group increased by approximately 10.4% from approximately RMB11,670,357,000 (restated) for the six months ended 30 June 2021 to approximately RMB12,882,692,000 for the six months ended 30 June 2022. The increase of cost of sales was mainly caused by the increase of cost of inventories sold.

Cost of inventories sold of the Group increased by approximately 10.7% from approximately RMB10,435,821,000 for the six months ended 30 June 2021 to approximately RMB11,555,776,000 for the six months ended 30 June 2022. The increase was mainly due to the significant increase in the business volume of non-ferrous metals and agricultural products.

Other (Losses)/Gains – Net

Other (losses)/gains – net of the Group decreased from a gain position with an amount of approximately RMB10,235,000 (restated) for the six months ended 30 June 2021 to a loss position with an amount of approximately RMB32,233,000 for the six months ended 30 June 2022. The decrease was primarily due to the foreign exchange losses resulting from the RMB’s depreciation against U.S. dollar and the significant increase in the foreign currency accounts payable of the Group’s trading business of merchandise.

Liquidity, Financial Resources and Capital Structure

The Group mainly utilised its cash for investments, operating costs, construction of terminals and berths and repayment of loans. As at 30 June 2022, the balance of the Group’s cash and cash equivalents (which are mainly held in RMB) amounted to approximately RMB3,521,285,000 (as at 31 December 2021: approximately RMB2,971,304,000), which increased by approximately 18.5% and was mainly due to the increase of borrowings.

Borrowing of the Group increased from approximately RMB11,765,171,000 as at 31 December 2021 to approximately RMB13,890,525,000 as at 30 June 2022 as a result of the issue of one medium-term note and one corporate bond in the first half of 2022.

Management Discussion and Analysis (Continued)

As at 30 June 2022, the Group's total bank borrowings guaranteed were approximately RMB554,615,000 which were guaranteed by non-controlling shareholders of subsidiaries of the Company. The Group's total secured bank borrowings were approximately RMB678,936,000, where bank borrowings of RMB78,228,000 were secured by land use rights, bank borrowings of RMB7,000,000 were secured by sea use rights, USD bank borrowings of RMB530,709,000 were secured by USD restricted cash of RMB530,709,000.

Gearing Ratio

The Group's net gearing 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 2022 and 31 December 2021 were as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Total borrowings and lease liabilities	14,120,701	11,981,776
Less: Cash and cash equivalents	(3,521,285)	(2,971,304)
Net debt	10,599,416	9,010,472
Total equity	10,217,589	10,662,745
Total capital	20,817,005	19,673,217
Gearing ratio (%)	50.9%	45.8%

As at 30 June 2022, the Group had a net debt position.

Other Financial Information

The financial assets at fair value through profit or loss of the Group increased from approximately RMB45,817,000 as at 31 December 2021 to approximately RMB445,816,000 as at 30 June 2022, which was primarily because the Group purchased the structural deposits of approximately RMB400,000,000 in this period.

Capital Expenditure Commitments

As at 30 June 2022, the Group's capital expenditure commitments amounted to approximately RMB438,705,000, 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.

Management Discussion and Analysis (Continued)

Material Subsidiaries of the Company

	Xiamen Terminal Group RMB'000	Xiamen Port Development RMB'000
Principal activities	Container loading and unloading, transfer, storage and other related port services	Bulk/general cargo loading and unloading, storage and other related port services; comprehensive port logistics service; merchandise trading business
Percentage of shareholding	99.45%	61.89%
Cost of investment	7,303,732	1,196,757
The scale of investments in its total asset value	44.96%	7.37%
Financial performance for the Period-net profit	299,831	188,373
Dividends received for the Period	—	—

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, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Board believes that fluctuation in RMB exchange rate had no material impact on the operating results and financial position of the Group as at 30 June 2022. 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.

Legal Proceedings

The Group confirmed that, for the six months ended 30 June 2022, there was no significant litigation against the Group, and the Board was not aware of any pending or threatened litigation against the Group which had or could have a material and adverse effect on the financial conditions or operations of the Group.

EMPLOYEES

As of 30 June 2022, the Group had a total of 7,186 employees, representing a decrease of 26 employees as compared to 31 December 2021. 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.

Management Discussion and Analysis (Continued)

ESTABLISHMENT OF NEW COMPANIES

On 10 February 2022, Port Logistics, a subsidiary of the Group, and Box Technology (Shenzhen) Co., Ltd. (箱子科技(深圳)有限公司) (“Box Technology”) entered into a framework agreement, pursuant to which, Port Logistics and Box Technology jointly invested and established Fujian Ganglianjie Logistics Technology Co., Ltd. (福建港聯捷物流科技有限公司) (“Ganglianjie”) in the Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Logistics Park), which principally engages in joint operation of container smart yard and warehousing and other businesses. The registered capital of Ganglianjie is RMB10,000,000, which is held as to 51% by Port Logistics and 49% by Box Technology, and the relevant industrial and commercial registration formalities have been completed.

OTHER MAJOR EVENTS

On 4 January 2022, The Group completed the acquisition of the remaining aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司) (“Xiamen ITG”) and Pointer Investment (Hong Kong) Limited (寶達投資(香港)有限公司) (“Pointer Investment”), a wholly-owned subsidiary of Xiamen ITG, at a total consideration of RMB796,098,430, whereupon the Group effectively holds the entire equity interest in Xiamen Terminal Group, and Xiamen ITG and Pointer Investment ceased to be shareholders of Xiamen Terminal Group.

In the first half of 2022, the Company has issued six tranches of the super short-term notes successively, and the net proceeds were used for repayment of the relevant issued super short-term notes upon maturity, supplementing the Group’s working capital and repaying the Group’s bank loans and other interest-bearing debts, respectively. The details of the issues are as follows:

- (i) On 19 January 2022, the Company has completed the issue of the first tranche of the super short-term notes in 2022 with a term of 180 days from the date of issue with a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.55% per annum.
- (ii) On 18 February 2022, the Company has completed the issue of the second tranche of the super short-term notes in 2022 with a term of 90 days from the date of issue with a total principal amount of RMB1,050,000,000 at a fixed interest rate of 2.28% per annum.
- (iii) On 28 February 2022, the Company has completed the issue of the third tranche of the super short-term notes in 2022 with a term of 179 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.27% per annum.
- (iv) On 7 March 2022, the Company has completed the issue of the fourth tranche of the super short-term notes in 2022 with a term of 150 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.19% per annum.
- (v) On 12 April 2022, the Company has completed the issue of the fifth tranche of the super short-term notes in 2022 with a term of 150 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.20% per annum.

Management Discussion and Analysis (Continued)

(vi) On 20 April 2022, the Company has completed the issue of the sixth tranche of the super short-term notes in 2022 with a term of 177 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.18% per annum.

On 21 February 2022, the Company has completed the issue of the first tranche of the medium-term notes in 2022 with a term of 3 years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.00% per annum. RMB680,000,000 of the net proceeds from the issue of the first tranche of the medium-term notes in 2022 were used for repaying the sixth tranche super short-term notes in 2021 and the seventh tranche super short-term notes in 2021 issued by the Company and were due, the remaining RMB520,000,000 were used for supplementing the working capital of the Group.

On 20 April 2022, the Company has completed the issue of the first tranche of the corporate bonds in 2022 with a term of 5 years from the date of issue with a total principal amount of RMB1,800,000,000 at a fixed interest rate of 3.05% per annum. The net proceeds from the issue of the first tranche of the corporate bonds in 2022 were entirely used for repaying the Group's interest-bearing debts and supplementing the Group's working capital so as to satisfy the requirement of its business development.

On 2 June 2022, the Company and Xiamen Port Investment Operation Co., Ltd. (廈門港務投資運營有限公司) ("Xiamen Port Investment"), a wholly-owned subsidiary of Xiamen Port Holding, have entered into a merger agreement subject to pre-condition and conditions to effectiveness, pursuant to which the Company and Xiamen Port Investment have agreed to implement a merger by absorption of the Company by Xiamen Port Investment subject to the terms and conditions of the merger agreement. Upon satisfaction of the pre-condition and all the conditions to effectiveness, the Company will apply to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for voluntary withdrawal of the listing of the H Shares from the Stock Exchange. After completion of the merger, the Company will be merged into, and absorbed by, Xiamen Port Investment in accordance with the PRC Company Law and other applicable PRC Laws. For details, please refer to the Company's announcements dated 2 June 2022, 25 July 2022 and 16 August 2022, respectively, and the Company's composite document dated 23 August 2022.

SUBSEQUENT EVENTS

On 29 July 2022, the Company has completed the issue of the seventh tranche of the super short-term notes in 2022 with a term of 120 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 1.65% per annum.

As at 8 August 2022, following the completion of the procedures for changing the industrial and commercial registration of Xiamen Port Group Shihushan Terminal Co., Ltd (廈門港務集團石湖山碼頭有限公司) ("Shihushan Terminal Company", a non-wholly owned subsidiary of Xiamen Port Development), Xiamen Hailong Terminal Co., Ltd (廈門海隆碼頭有限公司), ("Xiamen Hailong", a wholly-owned subsidiary of Xiamen Port Development), and Xiamen Haihong Petrochemical Terminal Co., Ltd (廈門海鴻石化碼頭有限公司), ("Xiamen Haihong", a wholly-owned subsidiary of Xiamen Port Holding) after the additional capital injection of the entire equity interest in (i) Xiamen Hailong by Xiamen Port Development and (ii) Xiamen Haihong by Xiamen Port Holding into Shihushan Terminal Company, respectively, completion of the capital contribution transactions has also been taken place on even date,

Management Discussion and Analysis (Continued)

pursuant to which (i) the equity interest of Shihushan Terminal Company is owned by Xiamen Port Development as to 65.08% and Xiamen Port Holding as to 34.92%; (ii) Xiamen Hailong has become a direct wholly-owned subsidiary of Shihushan Terminal Company; and (iii) Xiamen Haihong has become a direct wholly-owned subsidiary of Shihushan Terminal Company. For details above, please refer to the Company's announcements dated 5 August 2020, 16 September 2020 and 8 August 2022, respectively, and the Company's circular dated 31 August 2020.

On 8 August 2022, the registration of the subscription shares newly issued by Xiamen Port Development have been completed via China Securities Depository and Clearing Corporation Limited, and were listed on 15 August 2022 after review by the Shenzhen Stock Exchange, pursuant to which a total of 116,618,075 shares (representing approximately 18.65% of the total registered share capital of Xiamen Port Development immediately before the new issue) have been issued to a total of 16 subscribers at a total consideration of RMB799,999,994.50 (i.e. RMB6.86 per subscription share). Subsequent to the completion of the new issue, the Company continues to hold 386,907,522 shares of Xiamen Port Development, and the shareholding in Xiamen Port Development by the Company has changed from 61.89% to 52.16%. Xiamen Port Development remains as a non-wholly owned subsidiary of the Company. For details, please refer to the Company's announcements dated 3 August 2021 and 11 August 2022, respectively.

On 19 August 2022, the Company has completed the issue of the eighth tranche of the super short-term notes in 2022 with a term of 147 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 1.50% per annum.

Saved as disclosed above, since 30 June 2022 to the date of this interim report, there was no significant events affecting the Group.

PROSPECTS AND OUTLOOK

Overall, the domestic and international economic environment in the second half of 2022 will still be complicated and severe. Internationally, due to the surge in global energy and food prices, global supply disruptions triggered by the Russia-Ukraine conflict, and the general upsurge in interest rates by major global central banks, global inflation will be high in the next few years, many economies around the world may face recession, stagflation risk will rise, and global trade growth momentum will be weakened. All these will impact on China's foreign trade environment. Domestically, the stagflation risk in the global economy is rising, and there are still many unstable and uncertain factors in China's economic recovery, but the basic characteristics of China's economic resilience, potential and long-term optimism remain unchanged. With the implementation of a package of policy measures to stabilize the economy, especially the policy to stabilize foreign trade and investment, and the continuous recovery of the industrial chain and supply chain, China's economic operation is expected to be further improved and continue to rebound and remain in a reasonable range. According to the "Global Economic Prospects" released by World Bank in June of this year, global economic growth is estimated to be reduced to 2.9% this year, and China's economic growth rate is expected to be 4.3% this year. In addition, the continuous transfer from domestic trade transport capacity to the foreign trade shipping market, and the cabin sharing and straight route operation of domestic trade carriers, as well as the frequent occurrence of domestic Pandemics and other factors will affect the development of Xiamen port's container business in domestic trade to a certain extent and bring greater pressure on port production. Facing the complex and changing

Management Discussion and Analysis (Continued)

economic environment of port shipping, the Group will have firm confidence to cope with various challenges, fully utilise its overall advantages, strive to coordinate the Pandemic prevention and control and port production and operation, further explore its development potential, make steady progress, and strive to ensure stable investment returns for all shareholders of the Company. Taking into account of the actual situation, the Group will focus on the following tasks in the second half of 2022:

- Coordinating the Pandemic prevention and control with port production safety. The Group will focus on the Pandemic prevention and control regularly, strictly implementing the Pandemic prevention and control strategy of “Preventing the Spread of Virus Domestically and Preventing the Importation of Virus from the Outside World” and focusing on key links such as port quarantine, ship-shore interface and cold-chain logistics. Besides, the Group will strengthen the main responsibility for safety, promote safety production standardization, strengthen the hierarchical management of safe production risks and the management of potential safety hazards, perfect the intelligent safety management platform and enhance the efficiency of safety management, so as to ensure that the Pandemic prevention and control and safe production are implemented properly.
- Deepening strategic port-shipping cooperation. Firstly, the Group will facilitate the strategy of “Container Shipping Home Port”, promote the strategic deployment of carriers in Xiamen port, further improve the global shipping routes network, actively expand container transshipment business such as international transit and domestic feeder line transit business, and strive to procure incremental businesses such as extra vessels, vessel transloading and empty container allocation. Secondly, the Group will promote the overall marketing and headquarters marketing, implement customer classification management and designated person accountability system, follow up the business update of major customers and key routes and grasp the needs of key customers.
- Coordinating and promoting the expansion of hinterlands. Firstly, the Group will promote the business development strategy of implementing two-way sea and land transportation and attracting traffic with goods, strengthen the expansion of hinterland goods sources, improve the two-way sea and land collection, distribution and transportation channels and enhance logistics channels connectivity and service capacity. Secondly, the Group will strengthen the strategic fulcrum function of feeder line terminals and land-based ports, promote such businesses as sea-railed combined transport, China-Europe freight trains, Replacement of Bulk Shipments with Container Shipments and waterway transport, move fast to promote the “One Way Bill System” (“一單制”) for multimodal combined transport business and improve Xiamen port’s ability to collect and distribute goods.
- Focusing on improving quality and efficiency. Firstly, enhancing service capabilities. The Group will promote the upgrading of equipment and facilities, accelerating the completion and acceptance of the reinforcement and transformation of berths No. 1 and 2 in Haicang port area, speeding up the construction of berths No. 2 and No. 3 in the north of Gulei port area, warehouse No. 5 in comprehensive bonded zone of Dongdu port area and warehouse No. 6 at Hailong Terminal, and improve port service capabilities. Meanwhile, Haitong Terminal has been promoted to be integrated into the comprehensive bonded zone of Haicang port area so as to enhance the service capacities of foreign trade routes. Secondly, improving service level. The Group will implement the strategy of “Service Makes Port Stronger”, promote the optimization of the port customs clearance

Management Discussion and Analysis (Continued)

business environment, and enhance the level of trade facilitation. Besides, the Group will promote the integrated operation of Haicang container terminals, deepen transit service security system and strengthen service guarantees for super-large ships so as to continuously enhance operational efficiency.

- Promoting the construction of green and smart ports. Firstly, strengthening intelligent construction. The Group will deepen the upgrading and application of the container intelligent logistics platform, continue to optimize the fully intelligent transformation project of Hairun Terminal, improve the stability of operation, and promote the operation efficiency with technological innovation. Secondly, strengthening the construction of green environmental protection in ports. The Group will actively respond to the long-term goals of “Carbon Peaking and Carbon Neutrality”, continue to promote projects such as electrifying port equipment, upgrading ships to shore power and photovoltaic construction, establish a system for clean and low-carbon port energy use and green transportation, and actually implement energy conservation and emission reduction and pollution prevention and control.
- Enhancing fine management. Firstly, the Group will strengthen corporate governance, strictly promote the privatization projects of the Company in accordance with the relevant regulations of the Securities and Futures Commission of Hong Kong and the Stock Exchange, regulate information disclosure, and ensure compliance operations. Secondly, the Group will strengthen the construction of internal control systems and audit supervision, strengthen risk management and control, and promote the governance of enterprises according to laws. Thirdly, the Group will reduce costs and improve efficiency, strengthen budget implementation, cost management, and fund management, strictly control costs and expenditures and off-budget expenditures, and improve the level of enterprise refined management.
- Pursuant to the Options and Rights of First Refusal Agreement (《選擇權與優先權協議》) and Non-Competition Agreement (《非競爭協議》) entered into between the Company and Xiamen Port Holding and the Commitment Letter on Avoiding Horizontal Competition (《關於避免同業競爭的承諾函》) issued by Fujian Port Group to the Company, the Company will actively follow up on the relevant terminals assets and the progress of the terminal construction works and other relevant port businesses of Fujian Port Group and Xiamen Port Holding, so as to facilitate the Board and the shareholders to convene meetings to make appropriate decisions based on the management and operational circumstances in a timely manner.

Other Information

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 30 June 2022:

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 2022.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend during the six months ended 30 June 2022 (same period of 2021: Nil).

SHARE OPTION SCHEME

The Company did not adopt any share option scheme.

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

As at 30 June 2022, none of the directors of the Company ("Directors"), supervisors of the Company ("Supervisors"), chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Directors, Supervisors or chief executives of the Company were deemed or taken to be under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2022, 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 registers 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
Fujian Province Port Group Limited Liability Company	Domestic shares (Long Position)	1,721,200,000	Interest of controlled corporation	98.95%	63.14%
	H shares (Long Position)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
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%
UBS Group AG	H shares (Long position)	77,670,211	Interest of controlled corporation	7.87%	2.84%
	H shares (Short position)	16,807,022		1.70%	0.62%

Note: The 141,264,000 shares referred to the same batch of shares as Xiamen Port Holding, Xiamen Haixia Investment Co., Ltd. and Shia Ning Shipping Co., Ltd. are all directly or indirectly controlled by Fujian Province Port Group Limited Liability Company and therefore by virtue of the SFO, Fujian Port Group Limited Liability Company is deemed to be interested in these shares.

Save as disclosed above, as at 30 June 2022, 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 registers 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 2022.

Other Information (Continued)

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2022, 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 2022, the Group did not make any major acquisitions or disposals of its subsidiaries, joint ventures and associated companies.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

The Company has been complying with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules and has adopted the Corporate Governance Code. For the six months ended 30 June 2022, the Company had complied with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code. Save as disclosed above 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 sixth session of the Board comprises twelve Directors, including four executive Directors, namely Mr. CAI Liqun, 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 four independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. JIN Tao and Mr. JI Wenyan.

On 16 February 2022, Mr. LIU Feng resigned from his positions of an independent non-executive Director, the Chairman and a member of the Audit Committee of the Company, and a member of the Remuneration Committee of the Company due to his personal work arrangements. The resignation of Mr. LIU Feng resulted in the Company temporary non-compliance with the requirement set out under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, as well as the requirement set out under Rule 3.10A of the Listing Rules that the Company must appoint the independent non-executive Directors representing at least one third of the Board. In order to comply with the abovementioned requirements under the Listing Rules, the Company has appointed Mr. LI Maoliang as an independent non-executive Director, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

On 29 June 2022, Mr. FU Chengjing resigned from his positions of a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company due to his reaching of the statutory retirement age.

Other Information (Continued)

On 8 July 2022, Mr. HUANG Zirong resigned from his position of a non-executive Director due to his reaching of the statutory retirement age.

Accordingly, as at the date of this interim report, the sixth session of the Board comprised ten Directors, details of which were as follows:

Executive Directors:

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

Non-executive Directors:

Mr. CHEN Zhiping
Ms. BAI Xueqing

Independent Non-executive Directors:

Mr. LIN Pengjiu
Mr. JIN Tao
Mr. JI Wenyuan
Mr. LI Maoliang

The Supervisory Committee

The sixth session of the Supervisory Committee of the Company comprises 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.

Nomination Committee

The fourth session of the Nomination Committee of the Company (the "Nomination Committee") comprises Mr. CAI Liqun, the Chairman and an executive Director, and two independent non-executive Directors, namely Mr. LIN Pengjiu and Mr. JIN Tao. The Nomination Committee is chaired by Mr. CAI Liqun.

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

Audit Committee

At the beginning of the reporting period, the sixth session of the Audit Committee the Company (the "Audit Committee") comprised two independent non-executive Directors, namely Mr. LIU Feng and Mr. LIN Pengjiu, and one non-executive Director Mr. FU Chengjing. The Audit Committee was chaired by Mr. LIU Feng.

Other Information (Continued)

On 16 February 2022, Mr. LIU Feng resigned from his positions of an independent non-executive Director, the Chairman and a member of the Audit Committee due to his personal work arrangements. The resignation of Mr. LIU Feng resulted in the Company's temporary non-compliance with the requirement set out under Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee, and the requirement that the Audit Committee should be chaired by an independent non-executive Director. In order to comply with the abovementioned requirements under the Listing Rules, the Company appointed Mr. LI Maoliang as an independent non-executive Director, the Chairman and a member of the Audit Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

On 29 June 2022, Mr. FU Chengjing resigned from his positions of a non-executive Director and a member of the Audit Committee due to his reaching of the statutory retirement age. The resignation of Mr. FU Chengjing resulted in the Company's temporary non-compliance with the requirement set out under Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee. In order to comply with the abovementioned requirement, the Company is actively making appropriate arrangement within three months from the effective date of the resignation of Mr. FU Chengjing, and will make further announcement as and when appropriate in accordance with the Listing Rules.

Accordingly, as at 30 June 2022, the Audit Committee temporarily comprised two independent non-executive Directors, namely Mr. LI Maoliang and Mr. LIN Pengjiu. The Audit Committee was chaired by Mr. LI Maoliang.

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 2022 and this interim report and has agreed with the accounting policies adopted by the Company.

Remuneration Committee

At the beginning of the reporting period, the sixth session of the Remuneration Committee of the Company (the "Remuneration Committee") comprised two independent non-executive Directors, namely Mr. JIN Tao and Mr. LIU Feng, and one non-executive Director Mr. FU Chengjing. The Remuneration Committee was chaired by Mr. JIN Tao.

On 16 February 2022, Mr. LIU Feng resigned from the positions of an independent non-executive Director, and a member of the Remuneration Committee due to his personal work arrangements. The resignation of Mr. LIU Feng resulted in the Company's temporary non-compliance with the requirement set out under Rule 3.25 of the Listing Rules with regard to the composition of the remuneration committee. In order to comply with the abovementioned requirements under the Listing Rules, the Company appointed Mr. LI Maoliang as an independent non-executive Director and a member of the Remuneration Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

Other Information (Continued)

On 29 June 2022, Mr. FU Chengjing resigned from his positions of a non-executive Director and a member of the Remuneration Committee due to his reaching of the statutory retirement age. The resignation of Mr. FU Chengjing resulted in the Company's temporary non-compliance with the requirement set out under Rule 3 of the Terms of Reference of Remuneration Committee of the Company with regard to the composition of the Remuneration Committee. In order to comply with the abovementioned requirement, the Company is actively making appropriate arrangement within three months from the effective date of the resignation of Mr. FU Chengjing, and will make further announcement as and when appropriate in accordance with the Listing Rules.

Accordingly, as at 30 June 2022, the Remuneration Committee comprised two independent non-executive Directors, namely Mr. JIN Tao and Mr. LI Maoliang. The Remuneration Committee was chaired by Mr. JIN Tao.

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

The sixth session of the Business Strategy Committee of the Company (the "Business Strategy Committee") comprises 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 is chaired by Mr. JIN Tao.

The Business Strategy Committee is responsible for considering, evaluating and reviewing long-term strategic development plan and material capital operations and asset management projects, such as major investments and financing exercises, as well as acquisitions and disposals, and making recommendations to the Board in respect thereof. Meanwhile, it assumes responsibility for carrying out subsequent evaluation of investment projects and for reviewing and considering business development direction of the Company. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to regulations.

Corporate Governance Committee

The third 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, and one executive Director Mr. CHEN Zhen. The Corporate Governance Committee is chaired by Mr. LIN Pengjiu.

The primary functions of the Corporate Governance Committee are: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to review and monitor the code of conduct and compliance manual (if any)

Other Information (Continued)

applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and relevant disclosure requirements. The abovementioned terms of reference have been published on the websites of the Hong Kong Stock Exchange and the Company according to regulations.

Code for Securities Transactions by Directors and Supervisors

The Company originally adopted the Model Code set out in Appendix 10 to the Listing Rules, and with regard to the Company's actual circumstances, the Company prepared a Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standard set out in the Model Code. The Code was adopted as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the consideration and approval by the Board. Upon making specific enquiries to all Directors, Supervisors and senior management, the Company confirmed that they had complied with the standards required in the Model Code and the Code throughout the six months ended 30 June 2022, and the Company had not been aware of any violations of this kind during the six months ended 30 June 2022.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in the note 28 to the unaudited condensed consolidated interim financial statements.