*For identification purpose only

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

STOCK CODE : 3378

Annual Report 2007

Contents

Corporate Information

EXECUTIVE DIRECTORS

ZHENG Yongen *(Chairman)*[1]
CHEN Dingyu
FANG Yao
HUANG Zirong
HONG Lijuan[2]

NON-EXECUTIVE DIRECTORS

FU Chengjing*
MIAO Luping
LIN Kaibiao[3]
KE Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

HUANG Shizhong*
ZHEN Hong*
HUI Wang Chuen

* Members of the Audit Committee

SUPERVISORS

FANG Zuhui
LUO Jianzhong
WU Jianliang
TANG Jinmu
HE Shaoping

JOINT COMPANY SECRETARIES

HONG Lijuan
NGAI Wai Fung[4]

QUALIFIED ACCOUNTANT

ZHANG Yibing ACCA

AUTHORISED REPRESENTATIVES

FANG Yao
HONG Lijuan

REGISTERED OFFICE

No. 127 Dongdu Road
Xiamen, Fujian Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

International auditors:
PricewaterhouseCoopers
Certified Public Accountants

PRC auditors:
PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Limited Company

LEGAL ADVISERS

as to Hong Kong law:
Deacons (from the listing of the Company to 31 December 2007)
Vincent T.K. Cheung, Yap & Co. (from 26 February 2008)

as to PRC law:
King & Wood

PRINCIPAL BANKERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3378

LISTING DATE

19 December 2005

Notes:

1 Mr. ZHENG Yongen was re-designated from a Non-executive Director to an Executive Director of the Company and was appointed as the Chairman of the Company on 10 April 2007. On the even date, Mr. ZENG Yingguo resigned from the position of Executive Director and Chairman of the Company.

2 Ms. HONG Lijuan was appointed as an Executive Director of the Company on 8 June 2007.

3 Mr. LIN Kaibiao was re-designated from an Executive Director to a Non-executive Director of the Company on 10 April 2007.

4 Mr. NGAI Wai Fung was appointed as the Joint Company Secretary of the Company on 27 July 2007. On the even date, Ms. SUEN Pui Yee, Samantha, resigned from the position of the Joint Company Secretary of the Company.

Corporate Profile

Xiamen International Port Co., Ltd ("Xiamen Port Co" or the "Company") and its subsidiaries (collectively referred to as the "Group") is the largest port terminals operator in Xiamen, the PRC. It is also the only company providing full scale ancillary value-added port services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and ancillary value-added port services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of industrial products in Xiamen. The Group operates three international container terminals, namely the Haitian container terminal, Xiamen international container terminal and Hairun terminal (Haicang berths No. 4 and 5) and the Dongdu terminal, a terminal which provides container loading and unloading in respect of domestic trade and bulk/general cargo loading and unloading in respect of both international and domestic trade. The Group currently operates an aggregate of 15 berths, capable of accommodating the largest container vessels. Shipping routes have been developed from the container terminals to Europe, United States, the Mediterranean, Australia, Southeast Asia and Japan. The container terminals are also connected to major domestic shipping routes.

Financial Highlights

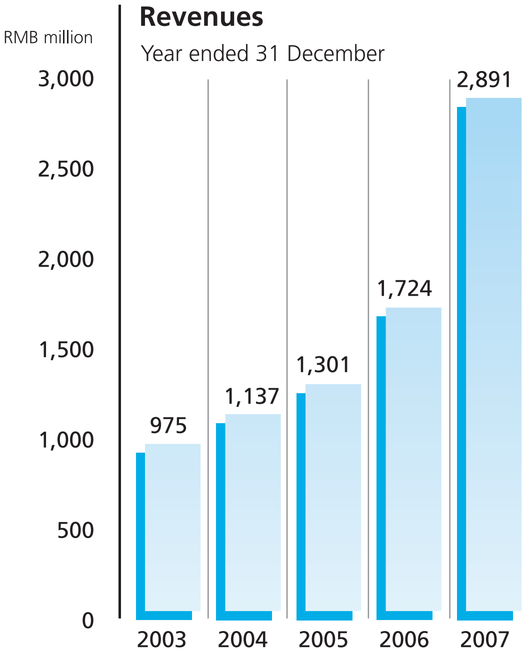
	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenues	975,128	1,136,923	1,300,586	1,724,361	2,890,969
Gross profit	430,569	508,665	555,673	606,945	640,570
Operating profit	251,295	387,676	425,875	493,014	548,218
Profit before income tax	218,098	365,237	415,202	504,588	563,207
Profit for the year	167,712	293,511	343,793	410,600	506,575
Profit attributable to equity holders of the Company	144,100	232,712	243,554	280,985	374,417
Earnings per share for profit attributable to the equity holders of the Company during the year – Basic and diluted (in RMB cents)	8.23	12.89	13.33	10.31	13.73

	As at 31 December				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	4,947,384	4,500,540	5,655,773	5,847,266	7,116,875
Equity attributable to the Company's equity holders	2,820,112	1,577,087	2,855,795	3,311,644	3,602,147
Total liabilities	1,873,166	2,268,825	2,075,702	1,729,495	2,633,915
Cash and cash equivalents	709,159	482,847	1,099,589	594,687	1,001,285

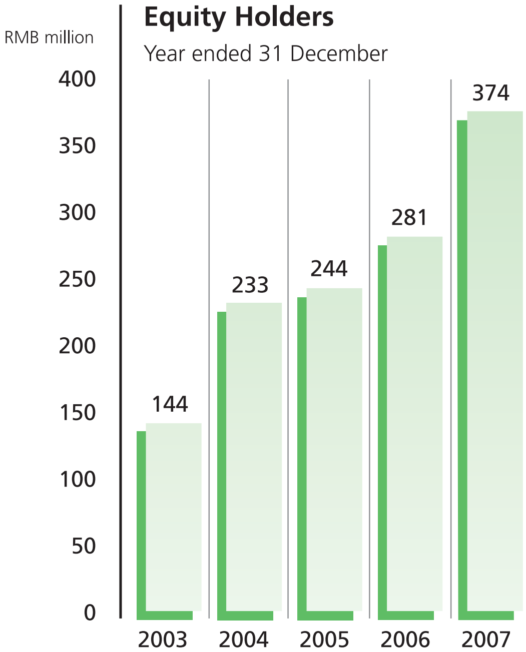
	As at 31 December				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Current ratio (times)	1.39	1.31	1.77	1.84	1.36
Net debt to equity (%)	7.65	35.06	(4.6)	0.06	0.13
Inventory turnover days	63	40	37	40	42
Accounts receivable turnover days	102	110	99	96	62

Financial Highlights

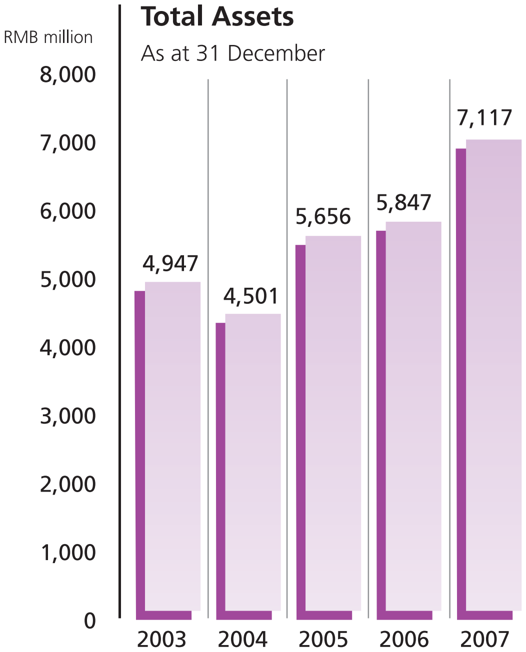
Revenues
Year ended 31 December



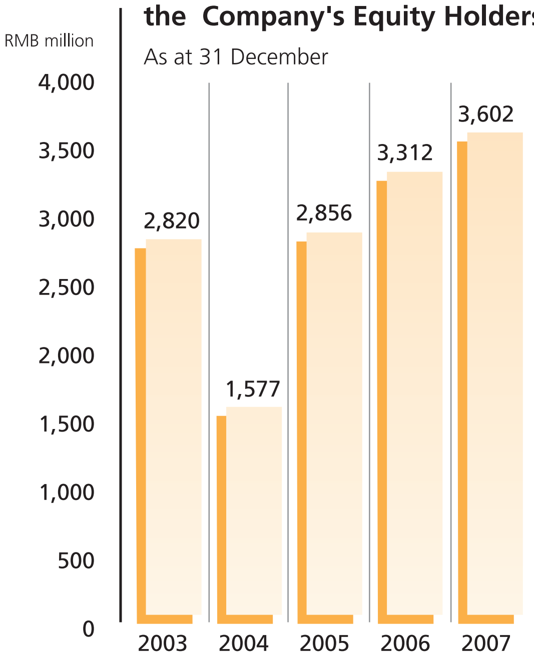
Profit Attributable to Equity Holders
Year ended 31 December



Total Assets
As at 31 December



Equity Attributable to the Company's Equity Holders
As at 31 December



Chairman's Statement

I am pleased to present the annual report of Xiamen International Port Co., Ltd (the "Company" or "Xiamen Port Co") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

In 2007, the demand for integrated port logistics services by trading and shipping sectors increased continually as a result of the steady development of the economies in the PRC and Fujian Province. Capitalising on the competitive advantages in terms of unique geographic location, operation scale and integrated logistics service, the Group, being the largest and leading port terminals operator in Fujian Province, continuing to strive to develop core business such as port loading and unloading and ancillary value-added port services. With this effort and refined management, the Group achieved remarkable results in various aspects, including business development, asset management and resources integration, and cost control, leading an outstanding profit performance in 2007.

During the year under review, the Group's results showed substantial growth. For the year ended 31 December 2007, revenues, profit after tax and profit attributable to equity holders of Xiamen Port Co were RMB2,890,969,000, RMB506,575,000 and RMB374,417,000 respectively, representing respective growths of 67.7%, 23.4% and 33.3% over last year. Earnings per share for 2007 was RMB13.73 cents.

In view of the outstanding results and healthy financial conditions of Xiamen Port Co and to return shareholders for their continuous support and confidence in the Company, the board of directors of the Company (the "Board") recommended the payment of a final dividend of RMB 5.7 cents per share, amounting to a total dividend of RMB155,393,400. This is in line with the recommended dividend payout ratio as indicated in the prospectus of the Company dated 6 December 2005.

Chairman's Statement

During the year of 2007, in align with our overall sales and marketing strategy, the Group was dedicated to enhance its core competitiveness by maximizing the synergy among different business segments internally, with the focus on reinforcing the adjustment on route structure of containers, developing port hinterland and nurturing ancillary value-added port services. During the year under review, our terminal route structure was improved significantly due to the Group's efforts in optimising business structures of the ports, fortifying the refined management of key routes and creating refined routes; as well as improving the accuracy of production deployment plan implementation through further optimising its port operation workflow, improving terminal operation efficiency and stability, and upgrading port service quality and level in order to attract the participation of ocean-going container routes of major shipping lines. The sea-rail transshipment business of containers and bonded logistics, which had been actively promoted by the Group, made great progress in 2007. The commencement of sea-rail transshipment of containers train between Xiamen port and Ganzhou and Nanchang in Jiangxi Province in mid-2007, together with the establishment of relevant new business networks, enlarged the market coverage of our port services. The bonded logistic business of Xiamen Bonded Logistics Park such as "One-Day Delivery" and immigration had concrete progress. The business development was substantially improved whilst the impact of Bonded Logistics Park in business increased. In 2007, the containers and bulk/general cargo handled by the Group increased to approximately 3.202 million Twenty-foot Equivalent Units ("TEUs"), and 4.46 million tonnes respectively. The Group secured its market leadership position in Xiamen and Fujian Province by capturing approximately 69.2% and 46.68% respectively of the total containers handled in Xiamen and Fujian Province.

The Group furthered its efforts on the asset management and resources integration during the year and obtained remarkable results. Leveraging the tax concession enjoyed by the Company, the Group integrated all assets of the Company and its subsidiaries, thereby further promoted the improvement of corporation benefit. According to the relevant agreement before listing, the Hutchison Whampoa Group and the Group has established a joint venture, namely Xiamen Haicang International Container Terminals Limited (廈門海滄國際貨櫃碼頭有限公司), to jointly build and operate berth No.1 of Haicang Port area in Xiamen Port. At the same time, to enhance the operation capability of berths No.1, 2 and 3 in Haicang Port area, the Group intended to increase its economies of scale by promoting the coordination of such berths. In addition, combined with its actual circumstance the Group used its own capital to subscribe new shares in the A share market in the PRC to increase the effectiveness of capital usage.

The Group was also committed to reform its refined management and performance management system. When promoting the staff remuneration system reform and perfecting the incentive and restraint mechanism, the Company had put full efforts on its cost-saving and efficiency-improving.

Chairman's Statement

In respect of financial management, the Company continued to strengthen capital grading and coordination management, positively promoted comprehensive budget management, and enhanced capital usage efficiency. In respect of equipment ancillary and management, the results of energy and consumption saving were significant due to the fully implementation of energy and consumption saving program, application of technological transformation of "power supply change from oil to electricity" on port ancillary equipment, and procurement of energy-saving equipment. In respect of port operating management, the Group had made great effort to accelerate workflow reform, computerize the port operating management and improve the service efficiency The Information Cooperation Platform for Xiamen Port International Container Shipping (廈門港國際集裝箱運輸信息協作平台), developed initially by our subsidiaries for combining their port operating needs, was awarded third prize of "China's Ports Scientific and Technological Progress Awards" (中國港口科技進步獎). In respect of internal control, it was strengthened by optimizing internal audit system and reinforcing internal audit on financial control of accounts receivable and labour costs.

According to the forecast of the PRC government and relevant departments, the growth of gross national product in 2008 will be approximately 8%, and the PRC will maintain its steady growth in economics and foreign trade. With the strategic support from the PRC government towards the Economic Zone on the Western Coast of the Taiwan Straits, and the continuing improvement of the shipping and trade relationship between Taiwan and the PRC, the overall economic environment of the entire Economic Zone on the Western Coast of the Taiwan Straits, including Fujian Province and Xiamen, will continue to be sound. International shipping and trade business and demand for port-related services are expected to grow continually. However, it should be noted that port business operation will be challenging due to various risk factors, such as other newly-built terminals in the ports at Xiamen will commence operation and oil price has been soaring. In general, we are prudently optimistic about the market conditions in 2008.

Looking ahead, the Group will be committed in creating better value for shareholders and providing excellent services to customers through improved operation management model. We will continue to promote corporate refined management, further enhance corporate comprehensive budget management level, devote significant efforts in capital management and cost control, and broaden the application of information technology and other advanced technologies. In addition, with an aim to capture full advantages of economies of scale and comprehensive logistics services, we will continue to implement our overall sales and marketing strategy in order to improve the port resources integration ability. We will also widen service scope continuously to upgrade overall service level. To enhance profitability, we will further increase customer satisfaction; thereby enable the Group's results to grow constantly. Efforts will be made on maximizing operation efficiency, corporate value and shareholders' returns.

Chairman's Statement

Finally, I express my sincere appreciation for the efforts devoted by the Board, the management and all the employees to the Company, which enables the Group to achieve good results. For the future, with the diligence of the staff of the Group and supports of all the shareholders, I am confident that the Company will turn into a new page.

ZHENG Yongen
Chairman

Xiamen, the PRC
18 April 2008

Management Discussion and Analysis



INDUSTRY OVERVIEW

Sustained growth of China's container trade

The growth of China's economy and its imports and exports maintained a fast pace in 2007. According to the relevant information published by the National Bureau of Statistics in 2007, the total value of imports and exports of China exceeded USD2,000 billion for the first time, reaching USD2,173.8 billion, representing a year-on-year growth of 23.5%, of which total exports accounted for approximately USD1,218 billion, representing a year-on-year growth of 25.7%, but 1.5% lower than last year's rate; while imports accounted for approximately USD955.8 billion, representing a year-on-year growth of 20.8%, 0.9% higher than last year's rate. The trade surplus of the Year in aggregate was USD262.2 billion. Since China joined the World Trade Organisation, the growth of foreign trade has been maintained at over 20% for six years in a row. Similarly, in 2007, China's port cargo and container throughputs ranked first in the world for five consecutive years. China's container port throughput exceeded the 100 million mark and recorded a historical high of 111.79 million Twenty-foot Equivalent Units ("TEUs"), representing a year-on-year growth of approximately 21.5%.

Foreign trade and port terminals of Xiamen

Following the integration of the Economic Zone on the Western Coast of the Taiwan Straits, the economy of the Fujian Province has continued to grow. According to statistics from the Fujian Provincial Government, the gross domestic product of Fujian Province in 2007 amounted to approximately RMB916 billion, representing a 15.1% increase as compared to the previous year. The total value of exports and imports was approximately USD74.46 billion, representing a year-on-year growth of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Management Discussion and Analysis

18.8%. Cargo and container throughputs were 239 million tonnes and 6.86 million TEUs respectively, representing increases of 0.1% and 16.6% respectively over last year.

Since 1 January 2006, all ports within the Gulf of Xiamen have been subject to centralised management. This has led to the continuous upgrade of overall scale and border-crossing conditions of the ports at Xiamen and the gradual expansion of the port hinterland, attracting the attention and co-operation of many domestic and foreign major lines, thus further highlighting the importance of the ports at Xiamen in the international shipping network. Benefit from the premier geographical advantages of its location, sound conditions for border crossing and sea transport, the ports at Xiamen handled a container throughput of 4.627 million TEUs in 2007, an increase of approximately 15.3% over 2006 and continued to be one of the top ten container ports in China and accounted for approximately 67.4% of Fujian Province's total container throughput.

BUSINESS REVIEW

For the year ended 31 December 2007, the Group was engaged in port terminal operations including container ports operation, bulk/general cargo ports operation and ancillary value-added port services in the terminals at the Dongdu and Haicang port areas in Xiamen. In addition, the Group also engaged in the manufacturing, processing and selling of building materials as well as the trading of industrial products (such as chemical products and steel).

The Group operates three international container terminals, namely, the Haitian Terminal with seven berths (Dongdu berths No. 5 to No. 11) in the Dongdu port area, XICT with two berths (Haicang berths No. 2 and No. 3) in the Haicang port area and the Hairun Terminal with two berths (Haicang berths No. 4 and No. 5) in the same Haicang port area which commenced operation in the second half of 2006.

In addition, the Group also operates the Dongdu Terminal with four berths (Dongdu berths No. 1 to No. 4) in the Dongdu port area for bulk/general cargo loading and unloading in respect of both international and domestic trade and container loading and unloading in respect of domestic trade.

Management Discussion and Analysis

Container port business

During the year under review, a container throughput of 3,201,674 TEUs was handled by the Group, maintaining a continuous growth as follows:

Container throughput	**2007** ***(TEUs)***	2006 *(TEUs)*	Increase/ (Decrease)
The Haitian Terminal, Hairun Terminal and berth No. 1 of Dongdu Terminal of the Group (international and domestic trade)	**2,051,552**	1,833,506	11.89%
XICT (international trade)*	**1,150,122**	1,185,001	(2.94%)
Total Throughput	**3,201,674**	3,018,507	6.07%

* XICT is a jointly controlled entity between Xiamen Haicang Port Co., Ltd ("Xiamen Haicang"), one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through Xiamen Haicang, the Company holds a 51% interest in XICT. The financial results of XICT have been proportionately consolidated in the Group's financial statements. On the other hand, in terms of the operational statistics in this result announcement, such as those in relation to TEUs and cargo throughput, the Group has included 100% of XICT's figures.

The increase in the Group's container throughput was mainly the result of the benefits brought by the continuous growth of China's foreign trade and the Fujian Province's economy, as well as the implementation of overall sales and marketing strategy of the Group's terminals and the ancillary value-added port services and the enhanced operating efficiency of the Group's container terminals. In particular, the Hairun Terminal further established its production workflow, which helped pushing up the container throughput of the Group.

Management Discussion and Analysis

Bulk/general cargo port businesses

In 2007, the Group's bulk/general cargo throughput maintained a mild growth. The bulk/general cargo throughput handled in the Year amounted to 4,463,198 tonnes. The details are as follows:

Bulk/general cargo throughput	**2007 *(tonnes)***	2006 *(tonnes)*	Increase
Berths No. 2 to No. 4 of Dongdu Terminal	**4,274,352**	4,085,117	4.63%
XICT	**188,846**	172,960	9.18%
Total Throughput	**4,463,198**	4,258,077	4.82%

Compared with 2006, although the Group recorded a slight increase in bulk/general cargo port business, market competition it faced escalated. XICT had positioned itself in the market as a professional container terminal and thus intentionally controlled the scale of its bulk/general cargo business (the throughput of which only increased 16,000 tonnes year-on-year). Apart from this, as a result of the impact from objective factors such as facilities and equipment, other business of the Dongdu terminal, such as stone products, encountered competition pressure from other bulk/general cargo ports at nearby port areas or within the same port area.

In response to the above circumstances, the Group adopted timely measures. On the one hand, by way of equipment and facilities leasing, the operating conditions of the terminal were effectively enhanced, and at the same time the construction of six new grain warehouses (silos) was accelerated in order to promote the business development of the loading, unloading and warehousing of the grains. On the other hand, the Group further optimised the relevant workflow, strengthened production organisation and improved the operating efficiency and service quality of the Dongdu terminal. It is expected that these measures will effectively enhance the competitive edge of the Dongdu terminal.

Ancillary value-added port services

The Group continued to implement its overall sales and marketing strategy in order to facilitate the complementing development between its ancillary value-added port services

Management Discussion and Analysis

(including shipping agency, tallying, tugboat berthing and unberthing and port-related logistics services) and terminal loading and unloading business, enhancing the support of ancillary value-added port services to the terminal loading and unloading business. Meanwhile, the Group continued to expand its sea-rail transshipment business so as to explore the hinterland for inland cargo sources. During the year under review, the Group set up business offices in four places successively, namely Yingtan of Jiangxi province, Yongzhou and Liling of Hunan province and Shaowu of Fujian province, to reinforce development of the new markets and optimise its business network. During the year under review, the Group formally opened the sea-rail container transshipment route directly from Xiamen port to Jiangxi, which was operating smoothly with a stable customer base. The Group also strived to develop the bonded logistics business at full steam. Related business strategies, such as "One-day delivery" to/from Xiamen Bonded Logistics Park, were continuously put in place, thus further enhancing our business functions. Meanwhile, the Group established Xiamen Port YCH Logistics Co., Ltd with YCH China JV (Pte) Ltd, an internationally renowned logistics operator, to jointly construct the second bonded logistics warehouse in order to meet the needs of business development.

Trading business of industrial products

In 2007, the Group's industrial products trading business continued its rapid development. Although this business recorded a gross profit margin far below that of other port businesses and also utilised a large portion of the Group's resources, the development of this business to a certain extent facilitated the growth of the port business and the overall revenue of the Group. In a general sense, the scope and direction of development for the industrial products trading business is pending further proper planning.

Scale of operations

For the year ended 31 December 2007, the Group operated four terminals with a total of 15 berths for international and domestic containers and bulk/general cargos. The terminals occupied a total site area of approximately 1,613,000 square metres, with a total berth length of approximately 3,317 metres and a depth alongside ranging from 9.9 metres to 15.3 metres. At the same time, the Group had large area of warehousing facilities inside and outside the terminal areas. In addition, the Group also own berth No. 1 in the Haicang port area, with a depth of 17.5 metres, which will be able to accommodate vessels of up to 100,000 dwt and a carrying capacity of 12,000 TEUs. Upon completion and commencement of operation, it will further enhance the Group's container throughput and competitiveness.

FINANCIAL REVIEW

Revenues

The Group's revenues increased by approximately 67.7% from approximately RMB1,724,361,000 for the year ended 31 December 2006 to approximately RMB2,890,969,000 for the year ended 31 December 2007. The increase was primarily due to increases in revenues of the Group's container loading and unloading and storage business, ancillary value-added port services, manufacturing and selling of building materials and the trading of industrial products, which were partially offset by decrease in revenues of bulk/general cargo loading and unloading business.

Management Discussion and Analysis

– Revenues of the Group's container loading and unloading and storage business increased by approximately 6.1% from approximately RMB674,221,000 for the year ended 31 December 2006 to approximately RMB715,571,000 for the year ended 31 December 2007. It was primarily due to the commencement of operation of the Group's Haicang berths No. 4 and 5 in the second half of 2006 which had led to rapid increases in container throughput handled during the year.

– Revenues of the Group's bulk/general cargo loading and unloading business decreased by approximately 0.4 % from approximately RMB172,904,000 for the year ended 31 December 2006 to approximately RMB172,291,000 for the year ended 31 December 2007. The decrease was primarily due to decrease in cargoes of the higher tariff like stone products handled by the Group.

– Revenues of the Group's ancillary value-added port services increased by approximately 16.1% from approximately RMB411,430,000 for the year ended 31 December 2006 to approximately RMB477,555,000 for the year ended 31 December 2007. The increase was primarily due to increases in container and cargo throughput handled by Xiamen port, which led to corresponding increase in the demand for the Group's ancillary value-added port services.

– Revenues of the Group's manufacturing and selling of building materials increased by approximately 28.2% from approximately RMB275,478,000 for the year ended 31 December 2006 to approximately RMB353,221,000 for the year ended 31 December 2007. The increase was primarily due to significant growth in general market demand on concrete in Xiamen due to investments increase in the construction of infrastructure facilities during 2007 as compared to 2006.

– Revenues of the Group's industrial products trading increased by approximately 516.0% from approximately RMB190,328,000 for the year ended 31 December 2006 to approximately RMB1,172,331,000 for the year ended 31 December 2007. The increase was primarily due to the Group's great effort to the development of industrial products trading business with the aim at an synergy effect to increase the port throughput.

Cost of sales

Cost of sales increased by approximately 101.4% from approximately RMB1,117,416,000 for the year ended 31 December 2006 to approximately RMB2,250,399,000 for the year ended 31 December 2007. The increase was primarily due to increases in cost of inventories consumed, depreciation and amortisation as well as employee benefit expenses.

– Cost of inventories consumed increased by approximately 204.4% from approximately RMB509,138,000 for the year ended 31 December 2006 to approximately RMB1,549,519,000 for the year ended 31 December 2007. The increase was mainly due to significant growth in the Group's businesses of industrial products trading and manufacturing and selling of building materials, which led to the corresponding increases in cost of goods sold.

Management Discussion and Analysis

– Depreciation and amortisation increased by approximately 22.0% from approximately RMB138,471,000 for the year ended 31 December 2006 to approximately RMB168,915,000 for the year ended 31 December 2007. The increase was mainly due to operation commencements of the Group's Haicang berths No. 4 and 5 and Bonded Logistics Park in the second half of 2006 and the first half of 2007 respectively as well as the increase in equipments to meet the need of the overall business growth.

– Employee benefit expenses increased by approximately 16.2% from approximately RMB241,389,000 for the year ended 31 December 2006 to approximately RMB280,536,000 for the year ended 31 December 2007. It was primarily due to overall growth in the Group's business volume which led to corresponding increases in employee benefit expenses.

Gross profit

As a result of the foregoing reasons, the Group's gross profit increased by approximately 5.5% from approximately RMB606,945,000 for the year ended 31 December 2006 to approximately RMB640,570,000 for the year ended 31 December 2007. Gross profit margin of the Group was approximately 35.2% for the year ended 31 December 2006 and approximately 22.2% for the year ended 31 December 2007. The decrease in gross profit margin was mainly due to the dilution of the overall gross profit margin as a result of the rapid growth of the industrial products trading business which has a lower gross profit margin. Revenue from industrial products trading business during the year increased by 516.0% and its percentage of total revenues of the Group increased from approximately 11.0% for the year ended 31 December 2006 to approximately 40.6% for the year ended 31 December 2007.

Management Discussion and Analysis

Operating expenses

The Group's operating expenses decreased by approximately 8.3% from approximately RMB205,443,000 for the year ended 31 December 2006 to approximately RMB188,370,000 for the year ended 31 December 2007. The decrease was primarily due to the decrease of employee benefit expenses as no provision for welfare based on 14% of the employee's payroll was required in 2007.

Operating profit

The Group's operating profit increased by approximately 11.2% from approximately RMB493,014,000 for the year ended 31 December 2006 to approximately RMB548,218,000 for the year ended 31 December 2007. The Group's operating profit margin was approximately 28.6% for the year ended 31 December 2006 and approximately 19.0% for the year ended 31 December 2007.

Income tax expense

The Group's income tax expense decreased by approximately 39.7% from approximately RMB93,988,000 for the year ended 31 December 2006 to approximately RMB56,632,000 for the year ended 31 December 2007. The decrease was primarily due to the exemption of enterprise income tax enjoyed by the Company during the year 2007 as well as the reversal of income tax expenses over provided in prior year after approval from local tax bureau.

Profit for the year

The Group's profit for the Year increased by approximately 23.4% from approximately RMB410,600,000 for the year ended 31 December 2006 to approximately RMB506,575,000 for the year ended 31 December 2007. The Group's profit margin for the year was approximately 23.8% for the year ended 31 December 2006 and approximately 17.5% for the year ended 31 December 2007. The decrease in profit margin was primarily due to the thin gross profit margin of industrial products trading business.

Profit attributable to minority interests

Profit attributable to minority interests increased by approximately 2.0% from approximately RMB129,615,000 for the year ended 31 December 2006 to approximately RMB132,158,000 for the year ended 31 December 2007. The increase was due to the increase in profit from the Group's non-wholly owned subsidiaries.

Management Discussion and Analysis

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company increased by approximately 33.3% from approximately RMB280,985,000 for the year ended 31 December 2006 to approximately RMB374,417,000 for the year ended 31 December 2007. The increase was due to the increase in profit for the year.

Accounts and notes receivable

The Group's accounts and notes receivable increased from approximately RMB448,342,000 for the year ended 31 December 2006 to approximately RMB546,557,000 for the year ended 31 December 2007. The increase was primarily due to the rapid growth of the Group's industrial products trading business.

As at 31 December 2007, the Group's accounts and notes receivable were approximately RMB546,557,000, approximately RMB503,797,000 accounts and notes receivables were aged within six months, accounting for approximately 92.2% of the total accounts and notes receivable, approximately RMB19,960,000 were aged between six months to one year, approximately RMB20,068,000 were aged between one year to two years, approximately RMB5,239,000 were aged between two years to three years and approximately RMB12,992,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable increased by approximately 55.3% from approximately RMB634,940,000 as at 31 December 2006 to approximately RMB986,099,000 as at 31 December 2007. The increase was primarily due to increase in notes payable. The Group's notes payable increased by approximately 112.9% from approximately RMB250,885,000 on 31 December 2006 to approximately RMB534,116,000 on 31 December 2007 which was primarily due to the increased purchase for inventory as a result of rapid growth in industrial products trading business in 2007.

As at 31 December 2007, the Group's accounts and notes payable less than one year were approximately RMB984,426,000 accounting for approximately 99.8% and due over one year were approximately RMB1,673,000, accounting for approximately 0.2%.

Borrowings

The Group's borrowings increased from RMB597,252,000 as at 31 December 2006 to approximately RMB1,007,227,000 as at 31 December 2007. The increase was primarily due to increase in bank loan made by the Group for the development of industrial products trading business and for the investment in the construction of Bonded Logistics Park.

On 31 December 2007, borrowings due within one year were approximately RMB462,157,000, due within one to two years were approximately RMB76,358,000, due within three to five years were approximately RMB204,732,000 and due after five years were approximately RMB263,980,000.

Management Discussion and Analysis

As at 31 December 2007, the Group's guaranteed loans were approximately RMB89,857,000 which were guaranteed by China Construction Bank.

Cash flows and working capital

The Group's working capital was primarily derived from cash generated from its operations.

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for each of the years ended 31 December 2006 and 2007:

	2007	2006
	RMB'000	RMB'000
Net cash generated from operating activities	**355,316**	369,234
Net cash used in investing activities	**(139,617)**	(575,104)
Net cash generated from/(used) in financing activities	**190,899**	(299,032)
Net increase/(decrease) in cash and cash equivalents	**406,598**	(504,902)
Cash and cash equivalents at beginning of the year	**594,687**	1,099,589
Cash and cash equivalents at end of the year	**1,001,285**	594,687

Operating activities

The Group's net cash generated from operating activities decreased by approximately 3.8% from approximately RMB369,234,000 in 2006 to approximately RMB355,316,000 in 2007. The decrease in net cash generated from operating activities in 2007 was mainly due to increase in cash paid to suppliers of approximately RMB1,499,179,000, increase in interests paid of approximately RMB28,175,000, increase in cash paid to the purchase of other financial assets at fair value through profit or loss of approximately RMB47,338,000 and increase in cash paid to and on behalf of employees of approximately RMB49,553,000, which were partially offset by increase in cash received from customers of approximately RMB1,432,235,000, increase in cash from the disposal of other financial assets at fair value through profit or loss of approximately RMB81,364,000, and decrease in other cash payments of approximately RMB83,811,000.

Investing activities

The Group's net cash used in investing activities decreased from approximately RMB575,104,000 in 2006 to approximately RMB139,617,000 in 2007. The net cash used in investment activities in 2007 was mainly due to the cash withdrawn from term deposits with initial term of over three months of approximately RMB325,668,000, set off by RMB547,767,000 cash paid for purchase of property, plant and equipment and land use rights.

Management Discussion and Analysis

Financing activities

The Group's net cash generated from financing activities increased from an outflow of approximately RMB299,032,000 in 2006 to an inflow of RMB190,899,000 in 2007. The net cash generated from financing activities in 2007 was primarily due to net cash received from borrowings of approximately RMB416,176,000, partially offset by cash outflow from dividends paid for the Year of approximately RMB225,277,000.

Capital expenditure

The Group's capital expenditure in 2006 and 2007 primarily consisted of expenditure on port terminal infrastructure, equipments, machineries and land use rights. The following table sets out the Group's capital expenditure in 2006 and 2007:

	2007 **RMB'000**	2006 RMB'000
Total capital expenditure	**571,811**	418,835

Capital expenditure commitments

As at 31 December 2007, the Group's capital expenditure commitments were approximately RMB377,918,000 primarily consisted of approximately RMB319,328,000 relating to construction expenditure of Haicang berths No. 1, 4 and 5, logistics warehouses and expenditure on purchases of loading and unloading equipments, vessels and other machineries and equipments, and approximately RMB58,590,000 relating to investment to Xiamen Port YCH Logisitics Co., Ltd, a joint venture established in PRC in which the Group holds 60% equity interests but without unilateral control.

Net debt to equity ratio

The Group's net debt to equity ratio increased from approximately 0.06% in 2006 to approximately 0.13% in 2007. The increase in net debt to equity ratio was primarily due to increase in short-term borrowings in accordance with the development demand for the industrial products trading business.

Management Discussion and Analysis

Contingent liabilities

At 31 December 2007, the Group has no significant contingent liabilities.

Employment, training and development

As at 31 December 2007, the Group had 5,527 employees, an increase of 251 employees over 31 December 2006. During the Year, total staff costs represented approximately 12.6% of the Group's revenues in 2007. During the year under review, the Group carried out a reform to the remuneration system and improved the incentive mechanism for the staff. Employee remunerations are determined by their position and performance, experience and the prevailing practices of the industry. Remuneration policy is reviewed on a regular basis. Bonus and rewards may be offered to employees according to the Group's annual operating results and assessments of employees' performance. In addition, the payment of rewards is an impetus to motivate each employee.

Option and right of first refusal to the Songyu Port Area Phase I Terminal Construction

On 20 April 2007, the Songyu Port Area Phase I Terminal Construction, which was invested by Xiamen Songyu Container Terminal Co., Ltd ("Songyu Company"), entered the trial operation phase. Songyu Company is a joint venture established by Xiamen Port Holding Group Co. Ltd ("Xiamen Port Holding") and APM Terminals Xiamen Company Limited. Subject to the relevant requirements under the "Measures for Completion Inspection for Port Construction Works" promulgated by the Ministry of Communications of the PRC, the container terminal construction works is still at the construction phase. Pursuant to the Memorandum in Relation to the Songyu Port Area Phase I Terminal Construction dated 19 April 2007 signed between the Company and Xiamen Port Holding, it has been agreed that: following the passing of the completion inspection of the Songyu Port Area Phase I Terminal Construction, the Company may, depending on the management and operational needs at the time, determine to exercise the option to acquire the equity interests currently held by Xiamen Port Holding in Songyu Company in accordance with the terms of the Option and Right of First Refusal Agreement entered into between the Company and Xiamen Port Holding on 2 December 2005.

New Enterprises

On 15 May 2007, pursuant to the joint venture contract dated 3 May 2007 signed between the Company and Hutchison Ports Haicang Limited, a subsidiary of Hutchison group, XHICT was established by way of joint venture between the two parties to jointly operate the Haicang port area berth No. 1. The registered capital of the joint venture company is RMB454,715,000, of which 51% equity interest is held by the Company. The two parties have completed the procedures relating to the initial capital contribution.

On 12 March 2007, Xiamen Port Development Co., Ltd ("XPD"), a subsidiary of the Company, entered into a joint venture contract with YCH China JV (Pte) Ltd, a member company of Singapore's YCH Group, an internationally renowned logistics service provider. Pursuant to the contract, Xiamen Port YCH Logistics Co., Ltd was established by the two parties to invest in the development and operation of a two-storey bonded logistics warehouse with a gross floor area of 56,000 square

Management Discussion and Analysis

metres in the Xiamen Bonded Logistics Park. The registered capital of the joint venture company is RMB97,650,000, of which 60% equity interest is held by XPD. The relevant registration procedures for the joint venture company were completed on 12 July 2007.

On 29 November 2007, Xiamen Road & Bridge Building Materials Corporation Ltd ("Xiamen Road & Bridge Building Materials"), a subsidiary of the Company, entered into a joint venture agreement with Xiamen Jida Education Development Co., Ltd to establish Xiamen Port Hailuda Building Materials Co., Ltd in order to jointly invest in the development and operation of the Liuwudian Cement Transfer Warehouse Project (劉五店水泥中轉庫專案). The registered capital of the joint venture company is RMB7,000,000, of which 80% equity interest is held by Xiamen Road & Bridge Building Materials. The relevant registration procedures for the joint venture company were completed on 6 December 2007.

On 14 September 2007, Xiamen Waili Tallying Co., Ltd, an indirect subsidiary of the Company, registered with the Administrative Management Department of Industry and Commerce in Xiamen for the establishment of a wholly-owned subsidiary-Xiamen Waili Logistics Management Co., Ltd, which is engaged in the businesses of cargo loading and unloading as well as cargo transportation agency, etc at the warehouses and depots. The registered capital of the wholly-owned subsidiary is RMB 300,000.

Accounting standards

In accordance with the relevant requirements of the PRC government, the Company has been implementing the new enterprise accounting standards promulgated by the Ministry of Finance of the People's Republic of China on 15 February 2006 since 1 January 2007 to further improve its accounting information quality.

Pending Litigation

At the end of January 2008, XPD, a subsidiary of the Company ,discovered that, without the consent of XPD, Shantoushi Zhongyu Zhiye Co., Ltd (汕頭市中裕置業有限公司) and Xiamen Xinqingyi Warehousing Logistics Co., Ltd (廈門欣輕藝倉儲物流有限公司) negotiated by themselves and took away certain goods (DOP 640 tonnes, PE 495 tonnes, EVA 500 tonnes) worth RMB24,971,700, which were previously stored by XPD at the warehouse of Xiamen Xinqingyi Warehousing Logistics Co., Ltd. XPD has already filed a report with the Public Security Bureau and has submitted a plea to the Intermediate People's Court of Xiamen City requesting compensation from Shantoushi Zhongyu Zhiye Co., Ltd and Xiamen Xinqingyi Warehousing Logistics Co., Ltd for the economic loss suffered by XPD. In February 2008, the land use right of a piece of land owned by Shantoushi Zhongyu Zhiye Co., Ltd with an area of 12,894.40 square metres in Shantou City is scheduled (the second in order) to be subject to an injunction by the Intermediate People's Court of Xiamen City. The case is being processed.

Management Discussion and Analysis

Prospects

According to the analysis of the government of the PRC, despite slowdowns in the global economic growth in 2008, the PRC economy is expected to maintain its steady development. Yet, to improve its balance of payments, avoid its economy turning from a state of relatively fast growth to overheating, and prevent a substantial inflation of prices, the PRC Government will continue to maintain a tight monetary policy, and enhance its customs duties policy adjustments during the year. Given such a background, as well as the spillover from the subprime mortgage loan crisis in the US, the continuing appreciation of Renminbi, the continuing surge of oil and other energy prices, and escalating trade protectionism, the trade surplus of China is expected to narrow in 2008. Besides, export growth will further slow down, while import growth will accelerate. However, on the whole, the PRC's aggregate foreign trade is likely to continue to grow.

According to the PRC Government's estimates, the growth rate of its national economy in 2008 will be approximately 8%. As for the Fujian provincial and the Xiamen municipal governments, they foresee that their national economic growth rates will be approximately 11% and 15% respectively. The good trend of overall economic growth will bring forth favourable market environment for sustained development of the Xiamen Ports and the port industry in Xiamen.

Looking ahead, evolving closely around market situation and in a bid to maximise the operational effectiveness of the Company and the interests of shareholders, the Group will fully capitalise on its overall competitive edge to reinforce its sales and marketing efforts. Besides, the Group will closely monitor the progress of the "three links" policy across the Straits and other market developments in order to adopt the appropriate measures to actively explore new businesses and develop the cargo hinterland for its port business. On the basis of upgrading its high quality of service, the Group will actively strengthen the relationships with its business partners, including shipping lines and railway operators, and international logistics service providers in order to take the business cooperation with them to the next level. Moreover, the Group will pursue further with its micro-management to promote comprehensive budget management, tighten cost control and enhance its corporate management standards. Based on the above, in 2008 the Group intends to roll out the following measures, which are believed to be conducive for sustaining the growth of the Group's results in the future:

- To continue to pro-actively implement overall sales and marketing strategies to further expand the Group's terminal resources and the integration capacity of the relevant ancillary services, broaden the platform of the Group's port-related logistics supply chain and increase its efficiency, and promote the interactive growth of the Group's terminal operations and ancillary value-added port services, as well as the degree of support of such ancillary value-added services to the Group's terminal operations, in order to fully capitalise on the overall strengths of the port service value chain of the Group.

Management Discussion and Analysis

- To continue to actively reinforce the strategic cooperation with the relevant shipping lines, with the focus on strengthening the Group's sales and marketing in the operating markets of such shipping lines and elsewhere overseas, establishing port-shipping strategic alliance in order to secure more shipping routes to be operated by the terminals of the Group, in particularly new long-haul container routes, in order to keep on optimising the shipping route portfolio of the Group.

- To strive to enhance the business solicitation efforts for the port business, with the focus on securing more marine cargo and import cargo business between the PRC and Taiwan. In connection with this, the Group will actively follow the developments on the economic, political, shipping and trading relationships across the Straits, and particularly the developments of the "three links" policy between the PRC and Taiwan, in order to be better prepared for the future in line with the actual circumstances of the Group. Besides, the Group will also actively solicit more new business by riding on the market trend of increasing degree of containerisation and the PRC government's encouraging policies for the promotion of imports.

- To optimise the operation flow and enhance the operating efficient and service quality of the Group's terminals in order to strengthen its pricing strength by way of a higher efficiency and realise a high price, high quality business model. The focus will be on stepping up the efforts on developing the branding and services of its shipping routes and promoting the successful experience of the high quality service models of the relevant shipping routes such that all shipping routes will measure up to the standards of such models, in order to establish a good market image for the Group's terminals as a quality brand.

- To strengthen the cooperation with the relevant parties, such as railway operators, in order to continue to expand the scope of cooperation with them on a wider platform, so as to realise a complete transshipment network sea transport and railway transport linked to the Group's port services, and hence a full-scale and multi-channel business expansion for the Group's port services. The focus is on developing marine and railway transshipment as the core theme and further developing the hinterland market in the west as a land-based port in order to attract more cargo to go through Xiamen to make their ways to and from Northwestern Fujian, Jiangxi and Hunan so as to develop the continental cargo hinterland for the Group's port cargo sources.

- To strive to develop the international and domestic transshipment business of the Group's container operations, particularly stepping up the efforts on developing the domestic transshipment business in Fuzhou, Ningde, Shantou, Quanzhou and Putian and extending the domestic routes to as far as Wenzhou, in order to enlarge the coastal hinterland for the Group's business in Southern and Northern China.

Management Discussion and Analysis

- To strengthen the cooperation with internationally renowned logistics service providers, particularly those with existing business relationships, by improving the exchange of information and marketing know-how with such parties, in order to reduce the pressure of having to solicit new businesses through forming a partnership relationship with them and to lay down good conditions and opportunities for future business development. The focus is on speeding up the construction progress of the second bonded logistics warehouse, which is jointly invested in with the YCH Group of Singapore in the Xiamen Bonded Logistics Park, in order to actively promote the development of the ancillary logistics services and processing services in the bonded park, thereby facilitating the organic synergies between the terminal and bonded logistics park businesses to support the loading and unloading business of the terminals.

- To push forward the operation commencement of Berth No. 1 in the Haicang port area. On the one hand, the Group will strive to speed up the procurement of the relevant ancillary production equipment; on the other hand, it will actively push ahead the coordination of the operation and management of Berth No. 1 and Berths No. 2 and 3 in order to realise the advantages of sharing resources to reduce the operating costs of the terminals of the Group so as to effectively enhance the operating capacity of such berths while increasing their profitability.

- To strengthen the implementation of comprehensive budget management in order to pursue optimum cost control on an ongoing basis. Maximise the potential of cost savings with the focus on strengthening measures on energy saving and waste reduction, such as reducing the consumption of oil and electricity. In this connection, the Group will seek work on the technological reform of its equipment, the customisation of its ancillary equipment and organising technical training to enhance operating efficiency and management innovation. Besides, the Group will step up its efforts on procurement and tender management, as well as applying its experience on relevant projects.

- In accordance with the Option and Right of First Refusal Agreement and the Memorandum in Relation to the Songyu Port Phase I Terminal Construction signed between the Company and Xiamen Port Holding, the Group will actively monitor the progress of the trial run of Songyu Port Phase I Terminal Construction and the completion inspection, as well as the procedures relating to the capital contribution by the relevant shareholders, in order to facilitate the Board to make the appropriate decisions based on the management and operational circumstances at the time.

Corporate Governance Report

It is the belief of the Board that the implementation of good and proper corporate governance is important for sustaining the business and performance of the Company and maximizing the interests of shareholders. As such, the Company is dedicated to implementing good and proper corporate governance, improving relationships with its investors and promoting a high degree of transparency in corporate governance. The Company will continue its efforts to improve corporate governance measures, ensure appropriate business supervision and management procedures, and review such procedures on a regular basis.

The Company has been striving to fully comply with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and has adopted a more stringent internal corporate governance code as the code on corporate governance practices of the Company. During the year under review, the Directors are not aware of any non-compliance of the Corporate Governance Code. This report attempts to elaborate on the corporate governance practices of the Company with reference to the Corporate Governance Code and covers information in respect of the mandatory disclosure requirements and most of the recommended disclosures set out under Appendix 23 of the Listing Rules.

THE BOARD

The Board is accountable to shareholders, and functions under the objectives of maximising the Company's operating efficiency and business value as well as shareholders' returns. Under the leadership of the Chairman of the Company and acting in accordance with the provisions of the Articles of Association of the Company (the "Articles"), the Board is collectively responsible for formulating the strategic business direction and setting management objectives of the Group, overseeing its performance and assessing the effectiveness of management's strategies.

DIRECTORS

As at 31 December 2007, the Directors and Supervisors were:

Executive Directors:

Mr. ZHENG Yongen	(appointed as a Non-executive Director on 3 March 2005, and re-designated as an Executive Director on 10 April 2007)
Mr. CHEN Dingyu	(appointed on 3 March 2005)
Mr. FANG Yao	(appointed on 3 March 2005)
Mr. HUANG Zirong	(appointed on 3 March 2005)
Ms. HONG Lijuan	(appointed on 8 June 2007)

Non-executive Directors:

Mr. FU Chengjing	(appointed on 3 March 2005)
Ms. MIAO Luping	(appointed on 3 March 2005)
Mr. LIN Kaibiao	(appointed as an Executive Director on 3 March 2005, and re-designated as a Non-executive Director on 10 April 2007)
Mr. KE Dong	(appointed on 3 March 2005)

Corporate Governance Report

Independent Non-executive Directors:

Mr. HUANG Shizhong	(appointed on 23 March 2005)
Mr. ZHEN Hong	(appointed on 23 March 2005)
Mr. HUI Wang Chuen	(appointed on 23 March 2005)

Supervisors:

Mr. FANG Zuhui	(appointed on 3 March 2005)
Mr. LUO Jianzhong	(appointed on 3 March 2005)
Mr. WU Jianliang	(appointed on 3 March 2005)
Mr. TANG Jinmu	(appointed on 23 March 2005)
Mr. HE Shaoping	(appointed on 23 March 2005)

Note: Mr. ZENG Yingguo was appointed as an Executive Director and the Chairman of the Company on 3 March 2005, and he has later resigned with effect from 10 April 2007.

In accordance with the Articles, the Directors and the Supervisors are each appointed for a term of three years and shall be eligible for re-election upon the expiry of the term of their appointment. On 29 February 2008, all of the above Directors and Supervisors as well as four Supervisors, namely Mr. FANG Zuhui, Mr. LUO Jianzhong, Mr. TANG Jinmu and Mr. HE Shaoping, were re-elected at the first Extraordinary General Meeting of the Company in 2008 (Mr. WU Jianliang, being a staff representative supervisor, was also re-elected at the Staff Representative Meeting of the Company). On the same day, Mr. ZHENG Yongen and Mr. CHEN Dingyu were elected as the Chairman and the Deputy Chairman respectively at the first meeting of the second session of the Board, and Mr. FANG Zuhui was elected as the Chairman of the Supervisory Committee at the first meeting of the second session of the Supervisory Committee.

The biographical details of the Directors and Supervisors are set out on pages 42 to 48 of this annual report and on the Company's website at http://www.xipc.com.cn.

The Board has a well-balanced composition with members possessing outstanding skills and experience on different fronts. The Company believes that the Board, being highly competent and representative, is capable of making prudent and well-thought decisions and supervising a highly professional management team.

According to Rule 3.13 of the Listing Rules, the Company has received from each of the Independent Non-executive Directors a written confirmation of independence prior to every annual meeting of the Board. Based on their respective confirmations, the Company believes that their status of independence is in compliance with the requirements of the Listing Rules.

Throughout the year ended 31 December 2007, the Company was in compliance with the relevant requirements of Rule 3.10 of the Listing Rules in having at least three Independent Non-executive Directors, including one Independent Non-executive Director with appropriate professional qualifications or professional knowledge in accounting or relevant financial management.

Corporate Governance Report

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the management of the Group's business and affairs with the objective of enhancing shareholders' values, and for paving way for the success of the Group by giving guidance and supervision in respect of its business. The Board is required to ensure proper compliance with applicable laws and regulations, to give balanced, lucid and easy to understand assessments on the performance, conditions and prospects of the Company as set out in the annual and interim reports, to announce other price-sensitive information and other financial disclosure matters as required by the Listing Rules, and to report any discloseable information to regulatory authorities in accordance with statutory requirements.

The Board has fiduciary and statutory obligations to the Company and the Group and also exercises a number of powers, including:

- formulating long-term strategy;
- formulating annual budget and final account proposal;
- approving public announcements including interim and annual financial statements;
- setting dividend policy;
- approving material borrowings and treasury policy; and
- undertaking major acquisitions and disposals, formation of joint ventures and entering into capital transactions.

The management is responsible for various duties delegated by the Board, which mainly include:

- taking charge of the daily management and operation of the Company and the business of the Group;
- organising and implementing Board resolutions;
- organising and implementing annual operating plans and investment proposals;
- deciding on the establishing of the Company's internal management structure;
- deciding on the Company's basic management system; and
- formulating detailed rules and regulations of the Company.

Corporate Governance Report

To ensure that the Board operates in an independent, responsible and accountable manner, the roles of the Chairman and the General Manager have been separated. In 2007, Mr. ZENG Yingguo (who resigned with effect from 10 April 2007) and Mr. ZHENG Yongen (who succeeded on 10 April 2007) were successively the Chairman of the Company, and while Mr. FANG Yao was the General Manager. There is a clear division of responsibility between the Chairman and the General Manager. The Chairman is responsible for leading the Board and deciding the long-term development strategy, overall development targets and business objectives of the Company. The Chairman is also responsible for convening and presiding over Board meetings; organising and fulfilling the functions of the Board; and inspecting the execution of Board resolutions. On the other hand, the General Manager is responsible for the daily management and operation of the Company and assumes the above duties and other management duties in accordance with the Articles.

Each of the Directors (including Non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of not more than three years (and members of the new session of the Board and the Supervisory Committee, upon election on 29 February 2008, have also entered into service contracts with the Company for a term of not more than three years). Other than the service contracts disclosed above, none of the Directors and Supervisors has any interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during 2007, or has entered into with the Company any service contract which is not determinable within one year without payment of compensation (other than statutory compensation) by the Company.

Save as disclosed above, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other for which disclosure may be required.

Other than the general functions exercisable by the Directors as provided for in the Articles, important functions of corporate governance are borne by the three Independent Non-executive Directors of the Company. Each of them, being the chairman of one of the three board committees under the Board, promotes good corporate governance in respect of financial audit and internal control, remuneration management and strategic planning. They also bear the important functions of reviewing the continuing connected transactions of the Group. The Company strives to facilitate maximum attendance of the Independent Non-executive Directors at its Board meetings in order to enhance their opportunities of expressing their independent judgments and opinions thereat. Approval of the Independent Non-executive Directors is required in respect of any resolution on connected transactions proposed by the Board.

BOARD MEETINGS

The Company strives to provide all Directors with appropriate and timely information so that the Directors have readily available information in making decisions and fulfilling their functions and responsibilities.

Corporate Governance Report

The Board has held regular meetings in accordance with the requirements of code provision A.1.1 of the Corporate Governance Code. In 2007, notices and agenda of all Board meetings were dispatched at least 14 days in advance of the meeting dates so as to facilitate maximum attendance of the Directors.

The Secretary to the Board is responsible for ensuring that the operation of the Board complies with the relevant procedures of the Company and required under the Listing Rules and provides recommendations for the Board with respect to corporate governance and regulatory compliance. The Secretary to the Board is also responsible for compiling and preparing the agenda for each Board meeting, and maintaining close communications with the relevant departments and the Directors of the Company, so as to ensure that matters for discussion which any Director considers to be necessary are included in such agenda in a timely manner. The agenda for each Board meeting, together with documents to be considered by the Board, are distributed to all Directors at least three days before the meeting date.

The board held seven meetings during the year 2007. The attendance of each Director at the Board meetings is set out below:

Members of the Board	**Number of Board meetings attended in person/by proxy**	**Attendance rate**
Executive Directors		
ZHENG Yongen (re-designated from a Non-executive Director to an Executive Director on 10 April 2007)	7/0	100%
CHEN Dingyu	7/0	100%
FANG Yao	7/0	100%
HUANG Zirong	7/0	100%
HONG Lijuan (appointed as an Executive Director on 8 June 2007)	5/0	100%
ZENG Yingguo (resigned with effect from 10 April 2007)	1/0	100%
Non-Executive Directors		
FU Chengjing	7/0	100%
MIAO Luping	6/1[a]	100%
LIN Kaibiao (re-designated from an Executive Director to a Non-executive Director on 10 April 2007)	7/0	100%
KE Dong	5/2[b]	100%
Independent Non-executive Directors		
HUANG Shizhong	7/0	100%
ZHEN Hong	7/0	100%
HUI Wang Chuen	6/1[c]	100%

Corporate Governance Report

Notes:

a Ms. MIAO Luping was present in six of the seven Board meetings, and the remaining Board meeting was attended and voted on her behalf by another authorized Director during her business trip out of Xiamen.

b Mr. KE Dong was present in five of the seven Board meetings, and the remaining two Board meetings were attended and voted on his behalf by another authorized Director during his business trips out of Xiamen.

c Mr. HUI Wang Chuen was present in six of the seven Board meetings, the remaining Board meeting was attended and voted on his behalf by another authorized Independent Non-executive Director during his business trip.

If a Director has a conflict of interest in any resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

The Secretary to the Board is responsible for keeping the minutes of meetings of the Board and of the Board committees. All Directors have access from the Secretary to the Board to relevant documents and other information of the Board meetings in order to make an informed decision.

BOARD COMMITTEES

The Board was set up three committees on 18 April 2005 to assist the performance of its duties, to facilitate effective management and to promote good corporate governance, including:

– the Audit Committee;

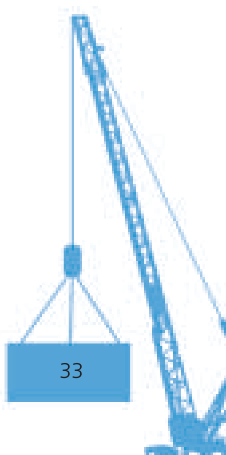
– the Remuneration Committee; and

– The Business Strategy Committee.

Each committee has specific functions and authority. Members of the committees are authorised to make decisions within the authority delegated to each committee. Particulars of these Committees are set out below and their respective terms of reference are set out on the Company's website at www.xipc.com.cn.

AUDIT COMMITTEE

In the year of 2007, the Audit Committee comprised two Independent Non-executive Directors, namely Mr. HUANG Shizhong and Mr. ZHEN Hong and one Non-executive Director, Mr. FU Chengjing. The chairman of the Audit Committee was Mr. HUANG Shizhong. Following the passing of the relevant resolutions at the first meeting of the second session of the Board on 29 February 2008, the three Directors above were re-elected as members of the Audit Committee, and Mr. HUANG Shizhong was continued to be appointed as the Chairman of the Audit Committee. All members of the Audit Committee possess relevant professional qualifications, accounting or financial management expertise in discharging their responsibilities as a member of the Audit Committee.



Corporate Governance Report

Throughout the year ended 31 December 2007, the Company was in compliance with the requirements in respect of audit committee set out in Rule 3.21 of the Listing Rules. The Group has formulated and adopted the terms of reference of the Audit Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Audit Committee are: to propose the re-appointment, oversee the performance and approve the remuneration of the independent auditors, to review the Company's financial information, to evaluate and supervise the Company's financial reporting procedures and to oversee the Company's internal control procedures and their effectiveness.

In 2007, the Audit Committee convened a total of two meetings with primary purposes of reviewing the 2006 audited accounts of the Group, internal and external audit findings, accounting principles and practices adopted by the Group, continuing non-exempt connected transactions, re-appointment of auditors and fixing of audit fees and the 2007 interim results, submitting recommendations to the Board for approval, and approving the action plan for the internal audit of the Group in 2007.

The members' attendance records of meetings of the Audit Committee are as follows:

Members of the Audit Committee	**Number of committee meetings attended in person/ by proxy**	**Attendance rate**
HUANG Shizhong	2/0	100%
ZHEN Hong	2/0	100%
FU Chengjing	2/0	100%

REMUNERATION COMMITTEE

In the year of 2007, the Remuneration Committee was chaired by Mr. HUI Wang Chuen, an Independent Non-executive Director, and other members included Mr. HUANG Shizhong, an Independent Non-executive Director and Mr. CHEN Dingyu (appointed on 10 April 2007 to replace Mr. ZHENG Yongen, who resigned as a member of the Committee), an Executive Director. Following the passing of the relevant resolutions at the first meeting of the second session of the Board on 29 February 2008, the three Directors, namely Mr. HUI Wang Chuen, Mr. HUANG Shizhong and Mr. CHEN Dingyu were re-elected as members of the Remuneration Committee, and Mr. HUI Wang Chuen was continued to be appointed as the Chairman of the Remuneration Committee.

The Group has formulated and adopted the terms of reference of the Remuneration Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Remuneration Committee are: to formulate the remuneration policy for Directors, Supervisors and senior executives of the Group, to recommend remuneration and benefit packages for the Directors, Supervisors and senior executives, and to set performance goals for senior executives of the Group. The Remuneration Committee will engage professional consultants for provision of assistance and/or professional advice on related matters when needed.

Corporate Governance Report

The Remuneration Committee met twice in 2007 to review and approve the Directors', Supervisors' and senior executives' remuneration, including the granting of annual bonus, reviewing and improving remuneration policies and setting key performance indicators for senior management. In discharging its functions and reviewing these remuneration policies, the Remuneration Committee has taken full consideration of factors such as the general market remuneration level or has made reference to the remuneration level of its peers in the PRC, as well as the time committed by and duties of the Directors.

The members' attendance records of meetings of the Remuneration Committee are set out as follows:

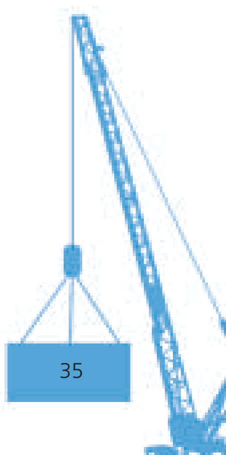
Members of the Remuneration Committee	Number of committee meetings attended in person/ by proxy	Attendance rate
HUI Wang Chuen	2/0	100%
HUANG Shizhong	2/0	100%
ZHENG Yongen (resigned with effect from 10 April 2007)	1/0	100%
CHEN Dingyu (appointed on 10 April 2007)	1/0	100%

REMUNERATION POLICY FOR DIRECTORS

The primary goal of the Group's remuneration policy for Executive Directors is to enable the Company to give incentives to Executive Directors by pegging their compensation with their individual performance against corporate objectives and the Group's operating results after taking into account comparable market conditions. The principal elements of the remuneration package of executive Directors include basic salary, related allowances, discretionary cash bonus, pension and relevant insurance benefits.

The remuneration of each of the Non-executive Directors (in the form of directors' fee) is determined by the Board. The purpose of the remuneration policy is to ensure that the Independent Non-executive Directors are sufficiently compensated for their effort and time contributed to the Company and that the remunerations they receive are commensurate with their duties and are basically in line with market practice.

As our general practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. Subsequent to the approval at the general meeting, the plan will be implemented. The emoluments paid to each Director for the year ended 31 December 2007 are set out in note 38 to the financial statements.



Corporate Governance Report

BUSINESS STRATEGY COMMITTEE

In the year of 2007, the Business Strategy Committee was chaired by Mr. ZHEN Hong, an Independent Non-executive Director and other members were Mr. CHEN Dingyu, an Executive Director, and Ms. MIAO Luping, a Non-executive Director. Following the passing of the relevant resolutions at the first meeting of the second session of the Board on 29 February 2008, the five Directors, namely Mr. ZHEN Hong, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping, and Mr. FANG Yao were elected as members of the Business Strategy Committee of the second session of the Board, and Mr. ZHEN Hong was continued to be appointed as the Chairman of the Business Strategy Committee.

The Business Strategy Committee is responsible for considering, evaluating and reviewing long-term strategic development plan and material capital and asset management decisions, such as major investments and financing exercises, as well as acquisitions and disposals, and making recommendations to the Board in respect thereof. Meanwhile, it assumes responsibility for carrying out subsequent evaluation of investment projects and for reviewing and considering business development direction of the Company.

The Business Strategy Committee did not hold any meeting in 2007. However, members of the Business Strategy Committee were involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

NOMINATION OF DIRECTORS

The Company appoints new Directors and re-elected Directors in accordance with the procedures provided for in its Articles. Generally, the candidates for directorship are proposed by the controlling shareholder. Nominations for the Directors are put forward for the Board's consideration and approval prior to the submission by the Board for consideration and approval by the general meetings of the Company. The primary principles of the controlling shareholder in nominating and of the Board in assessing candidates for directorship (including incumbent Directors seeking re-election) are:

- the relevant knowledge, background, ability, industry experience and qualifications of a candidate and his or her integrity, independence in decision making and capability to contribute time and effort to effectively discharge the duties concerned;

- compliance with the provisions of the Articles in respect of qualifications and conditions for directorship;

- compliance with the relevant requirements or provisions of the PRC laws in respect of directors of overseas-listed companies.

Corporate Governance Report

For the year ended 31 December 2007, changes in the composition of the Board were: Mr. ZENG Yingguo retired from the position of Chairman and Executive Director on 10 April 2007. On the same day, Mr. ZHENG Yongen, a former Non-executive Director, was re-designated as an Executive Director and appointed as the Chairman, Mr. LIN Kaibiao, a former Executive Director, was re-designated as a Non-executive Director, and on 8 June 2007, Ms. HONG Lijuan, the Deputy General Manager, was appointed as an Executive Director.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, Certified Public Accountants, Hong Kong were re-appointed as the PRC and international auditors of the Company respectively at the 2006 annual general meeting held on 8 June 2007, for a term until the expiration of the forthcoming annual general meeting.

For the year ended 31 December 2007, the total remuneration paid and payable to the external auditors amounted to RMB2,700,000, exclusively for audit services. The Company did not pay any fees for non-audit services to the external auditors.

INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control. In accordance with the requirements of the Listing Rules, the Board reviewed the condition of the Group's internal control in 2007, which was mainly carried out by the Audit Committee in its review of the effectiveness and adequacy of the Group's internal control system. The Board is basically satisfied with the internal control system of the Group currently in place, and considers that the internal control system of the Group is effective and adequate in all material aspects, including the financial, operational, compliance and risk management functions, and also complies with the code provisions on internal control of the Corporate Governance Code. There has been no significant control deficiency and major area of concern which may have material effect on the Shareholders identified during the year 2007.

The Company's management pays much regard to internal control and has adopted various measures to supervise the business of the Company to safeguard against potential risks. The specific details are as follows:

(1) Financial control

In respect of financial control, the Group strictly abides by the applicable laws and regulations and implements the various financial systems established by the Company, namely, the "Interim Provisions of Asset Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis" and the "Trial Methods for Tax Planning Management". Combined with its current circumstances, the Group has further carried out a corporate budgetary control system to enhance the financial management standard of the Company. Meanwhile, under the approval of the Board, since 1 January 2007, the Company has adopted the new business accounting standards issued by the Ministry of Finance on 15 February 2006. As a result, the discrepancies between the Company's financial statements prepared in accordance with the PRC accounting standards and the Hong Kong accounting standards have been reduced, thereby enhancing the quality of the Company's accounting information.

Corporate Governance Report

The Group is also very concerned about its internal audit function. The Company's qualified accountant is also the person in charge of the audit department, and, as the head of the internal audit function, has unrestricted access to the Audit Committee and directly reports to the management and the Audit Committee. The qualified accountant is also entitled to attend the meetings of the Audit Committee and report all matters of concern revealed during the internal audit process. The reporting system ensures the independence and performance of the qualified accountant.

In accordance with the guide on "Internal Control and Risk Management" issued by the Hong Kong Institute of Certified Public Accountants, the Company established its "Internal Control Practice Rules" in 2007 to further standardize its audit work. Meanwhile, based on the concerns raised by the Audit Committee and Supervisory Committee of the Company, and in accordance with the 2007 Audit Plan considered and established by the Audit Committee, the Company has carried out an internal control review of labour costs, accounts receivable and inventory of the relevant entities under the Company and made certain relevant recommendations on improvement in order to strengthen the internal audit function of the Company.

In 2007, the Audit Committee made recommendations to the Board in respect of matters relating to the Group's 2006 audited accounts, internal and external audit findings, accounting principles and practices adopted by the Group, continuing connected transactions, re-appointment of auditors and fixing of audit fees, and the 2007 interim results.

(2) Operational control

In accordance with the Articles and the corporate policies of the Company, the Group's management and each departments exercise and discharge their respective power and duties to ensure the operation of the Company's business is in a safe mode.

The Company conducts monthly statistical analysis of its port operations to enable the management to grasp hold of the latest situation to make the appropriate decisions. All matters of a material nature are put forward by the management for the consideration and resolution by the Board and general meetings in accordance with procedures laid down in the Articles. The Supervisors of the Company supervise the performance of the management and Directors in exercising and discharging their powers and duties, and make recommendations and proposals in regard thereof in accordance with the Articles.

The Company believes that, through the supervision and inspection of the application of those rules and regulations and the business supervision system in a timely manner, the relevant system of rules and regulations and business supervision system have been executed more effectively, which in turn promoted a healthy operation of the Company's business.

Corporate Governance Report

(3) Compliance control

Subject to the applicable laws and regulations, the Group has reinforced its internal control system with regard to the management of its business transactions with outsiders. The Company's management and each department execute contracts with outsiders and manage the intellectual property rights of the Company in accordance with the "Measures for the Administration of Examination and Approval of Contracts". Legal professionals are employed by the Company to offer advice on the legality and compliance of its major business decisions, follow the pace of specific projects with each department, and provide various training on the understanding of the legal system.

The Group strictly complies with the relevant information disclosure requirements under the Listing Rules. With respect to the procedures and internal control for the handling and dissemination of price sensitive information, the Company has complied with the relevant code provisions of the Listing Rules. The Company's policy includes a strict prohibition on any unauthorised use of confidential or insider information. Besides, procedures have been established and implemented for responding to external enquiries about the Group's affairs.

The Group is particularly concerned about the internal control in respect of major issues, such as connected transactions, with a view to ensuring that such issues can be summed up and reported to the relevant parties on a timely basis and to maintain the accuracy and timely dispatch of the various periodic and interim reports of the Company. In 2007, the Group followed the requirements under the Listing Rules to further improve its control system for connected transactions. Specific management department and personnel were designated to calculate and aggregate the connected transactions carried out by each department and each member company of the Group in order to ensure that such connected transactions, as well as their decision making process and information disclosure complied with the requirements under the Listing Rules.

(4) Risk management

Since its establishment, the Group has formulated various risk control regulations, including the "Interim Provisions of Asset Supervision and Management", the "Measures for the Administration of Examination and Approval of Contracts", the "Management Methods (Trial) for Equipment Invitation Bidding and Procurement", "Information System Security Management Method (Trial)", and the "Measures for Appraising the Operating Results of Members of the Group". The purpose is to enhance the operation and disposal of assets, as well as the management of material matters, such as major agreements, information security and equipment procurement, in order to standardize corporate practices to reduce the associated risks.

The management of the Company had numerous discussions regarding the effectiveness of the risk management and internal control system with the relevant Directors. The Company believes that the continuous upgrade of its internal control system and the effective operation of its internal control mechanisms are conducive to the Company's timely responses and solutions to the risks that may be faced by the Company and will better safeguard the interests of customers and shareholders.

Corporate Governance Report

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company originally adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, and with regard to the Company's actual circumstances, the Company has prepared a Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standard set out in the Model Code in 2006. The Code was then effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the consideration and approval by the Board of the Company. Upon the Company's specific enquiries, all Directors and Supervisors confirmed that they have complied with the standards set out in the Model Code and the Code throughout the year ended 31 December 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the accounts for each financial year which gives a true and fair view of the state of affairs of the Company and the Group. In preparing the accounts for the year ended 31 December 2007, the Directors considered that they have selected appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made judgments and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to have adopted and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

SHAREHOLDERS' RIGHTS

The Board and senior management of the Company fully understand their responsibilities to shareholders as a whole and strive to enhance shareholders' value.

In order to ensure that shareholders can express their intentions freely in general meetings, the rights of shareholders and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. Besides, all Directors and members of the management give their full support by attending general meetings, which is regarded by the Board of the Company as an important platform for communications between the Company and its shareholders. Queries from shareholders and other attendants are addressed with a positive attitude. To facilitate shareholders to enforce their rights in general meetings, material matters will be considered by way of separate resolutions at the general meeting.

The Company has been actively establishing a number of communication channels through which shareholders can understand in a timely manner the operating conditions and any announcements and related news and information disseminated by the Company. Shareholders are able to send their enquiries to the Board through the Joint Company Secretaries at the Company's principal places of business in Xiamen, the PRC or Hong Kong.

Corporate Governance Report

INVESTOR RELATIONSHIP

In the year of 2007, the Company continued to make an active effort in promoting its investor relationship and enhancing its communications with investors. The Secretary to the Board, who is primarily responsible for the investor relationship of the Company, is responsible for the disclosure and communication of information to the public. Since its listing, the Company has strictly followed the information disclosure system and has maintained sound two-way communications with the general public in order to promote investors' and stakeholders' understanding of the corporate implicit value and to assist the Company to fully understand the investors' concerns on any key issues in order to enhance its corporate governance standard.

During the period under review, the Company had maintained close and frequent contacts and communications with fund managers, analysts, finance media by the forms of holding a number of telephone conferences, one-on-one briefings and visits by analysts and investors. The Company has also actively participated in the annual capital market conferences and various investor forums organized by investment banks so as to strengthen the Group's investor relationship and allow investors to better understand the operations and development of the Company. In accordance with the requirements of the Hong Kong Stock Exchange, the Company's website (www.xipc.com.cn) has a section carrying its announcements to enable investors to have immediate access to any latest announcements and other relevant releases by the Company. The Company's website also provides detailed information on the Group's latest business developments, as well as a "Investor Relationship" webpage to handle enquiries from investors.

Based on the principles of transparency, honesty, fairness and openness, the Company will continue to maintain smooth communication channels with the general public in order to create better value for the Company and its shareholders.

In 2008, based on its past experience, regulatory changes and shareholders' feedback, the Company will continue to enhance its corporate governance standard so as to promote the sustainable healthy development of the Company.

By Order of the Board

ZHENG Yongen
Chairman

Xiamen, the PRC
18 April, 2008

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. ZHENG Yongen, aged 50, is the current Chairman and an Executive Director of the Company. He graduated in 1982 from Tianjin University with a bachelor's degree in port engineering and is a Senior Engineer. He was an assistant engineer and an assistant of the Xiamen port construction command department and the executive deputy head of the Haicang port construction command department from September 1982 to 1996. He was the general manager of the Port Development Co., Ltd. from August 1996 to January 1998. He was the Director and deputy general manager of Xiamen Port (Group) Co., Ltd., from January 1998 to March 2005. He also acts as a Director of Xiamen Haicang Port Co., Ltd. since April 2001, a Director and the general manager of Xiamen Port Labour Services Co. Ltd. from March 2002 to early February 2006. Since January 2005, he has been a Director of Xiamen Port Holding and was a Non-executive Director of the Company from March 2005 to 9 April 2007. He has been appointed as an Executive Director, Chairman and legal representative of the Company on 10 April 2007. He was the general manager of Xiamen Port Holding from July 2005 to January 2007 and acts as Chairman of Xiamen Port Holding since February 2007.

Mr. CHEN Dingyu, aged 51, is the deputy Chairman and an Executive Director of the Company. He graduated in 1999 from the Central Party School with a bachelor's degree in economics and management and is an Engineer. From 1980 to January 1998, he worked as the Chief Engineer of the tug company and a technician of the technical department at Xiamen Harbour Bureau as well as deputy manager, manager and the party secretary of Xiamen Port Shipping Company. From January 1998 to March 2005, he was a Director and deputy general manager of Xiamen Port (Group) Co., Ltd. He acts as a Non-executive Director of Xia Ning Shipping Co. Ltd. since August 2003. Since January 2005, he has been a Director of Xiamen Port Holding. He has been deputy Chairman and an Executive Director of the Company since March 2005. He was also deputy general manager of Xiamen Port Holding from July 2005 to January 2007, and became general manager of Xiamen Port Holding since February 2007.

Mr. FANG Yao, aged 48, is an Executive Director and the general manager of the Company. He graduated in 1982 from Maritime University with a bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was technician of the Heping terminal operating area, deputy leader of the mechanical team, deputy head of the technical office and deputy head of the harbour engineering factory of the Dongdu operating area and deputy manager of the Shihushan terminal operating area from October 1982 to June 1998. He was manager of the harbour supervision company of Xiamen Port (Group) Co., Ltd. from June 1998 to April 2001 and had been the party secretary of Xiamen Haitian Company from April 2001 to October 2005. Other than his work as party secretary, he was also responsible for production, business, human resources, safety, security and corporate culture construction of Xiamen Haitian Company. He has been an Executive Director and the general manager of the Company since March 2005.

Biographies of Directors, Supervisors and Senior Management

Mr. HUANG Zirong, aged 45, is an Executive Director and a deputy general manager of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a bachelor's degree in mechanics and obtained a master degree of business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983 and was technician and deputy leader of the mechanical team of Dongdu operating area, deputy head of the workshop and deputy head of the harbour engineering factory from August 1983 to October 1990. He was deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd Haitian Port Services Branch from April 2001 to March 2002. He has been the general manager of Xiamen Haitian Company since March 2002. Mr. Huang has been an Executive Director and a deputy general manager of the Company since March 2005.

Ms. HONG Lijuan, aged 44, is the Joint Secretary, an Executive Director and a deputy general manager of the Company. She graduated from Xiamen University with a bachelor's degree in chemistry in 1985 and a master's degree in science in 1988 respectively. From October 1998 to May 2002, Ms. Hong studied at a graduate MBA course at the graduate school of Xiamen University. She is a Senior Engineer. She worked for the technical department of Xiamen Harbour Bureau as an assistant engineer and engineer as well as an interpreter in contract negotiations from July 1988 to January 1995 and was assistant head of the environmental monitoring station of Xiamen Harbour Bureau from January 1995 to June 1998. She then became deputy manager of the administration department of Xiamen Port (Group) Co., Ltd. from June 1998 to April 2001. She was head of the office of Xiamen Port (Group) Co., Ltd. (including Administration Department) from April 2001 to March 2005. From April 2004 to March 2005, she was also a Director of Xiamen Port (Group) Co., Ltd. Ms. Hong has been the secretary to the Board since March 2005 and also acts as deputy general manager of the Company since November 2006. She has been an Executive Director of the Company since 8 June 2007.

Non-executive Directors

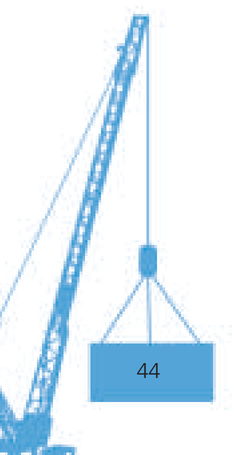
Mr. FU Chengjing, aged 46, is a Non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a staff and section member of the office of the Xiamen Finance Bureau, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a Director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a Director of Xiamen Port Holding and also a Non-executive Director of the Company since March 2005. He has been deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007.

Biographies of Directors, Supervisors and Senior Management

Ms. MIAO Luping, aged 44, is a Non-executive Director of the Company. She graduated in 1992 from the economics department of Xiamen University with a master's degree in global economics and is a Senior Economist. She worked for the Fujian Branch of the China Rural Development Trust and Investment Company from July 1992 to January 1994. She was deputy general manager of the development and operations department, deputy head of the chief accountant office and manager of the capital settlement centre of the Xiamen Road and Bridge Construction and Investment Corporation from January 1994 to March 1999. She worked for Xiamen Luqiao Joint Stock Company Limited as managing director from March 1999 to September 2004. She has been a Director of Xiamen Port Development Co., Ltd., a company listed on the Shenzhen Stock Exchange in the PRC, since September 2004. From September 2004 to March 2005, she was a Director and chief economist of Xiamen Port (Group) Co., Ltd. Since January 2005, she has been a Director of Xiamen Port Holding and also acts as a Non-executive Director of the Company since March 2005. She became the chief economist of Xiamen Port Holding in July 2005 and has been deputy general manager and chief economist of Xiamen Port Holding since February 2007.

Mr. LIN Kaibiao, aged 42, is a Non-executive Director of the Company. He graduated in 1991 from the Dalian Maritime University with a master degree in transportation management and engineering and is an Economist. He joined Xiamen Harbour Bureau in 1991 and worked as instructor of the engineering class, deputy head and head of office, manager of the commercial operations department and deputy general manager of Dongdu Port Services Company from 1991 to March 2001. He was Director and general manager of Dongdu Terminal Company Limited as well as Chairman and general manager of Xiamen Dongling Company, Executive director and general manager of Xiamen Domestic Shipping Agency and Director and general manager of Xiamen Lurong Water-Rail Company from April 2001 to June 2004. Mr. Lin was a Director of Xiamen Port (Group) Co., Ltd. from April 2004 to March 2005. He was Chairman of the board of directors of Xiamen Port Logistics Co., Ltd. from September 2004 to April 2006, and also a Director of Xiamen Waili Tallying Co., Ltd. from March 2005 to March 2006. He became manager of the operations management department of Xiamen Port (Group) Co., Ltd. in June 2004 and also acts as a Director of Xiamen Port Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since September 2004. In March 2005, he was appointed as an Executive Director and a deputy general manager of the Company and has been re-designated as a Non-executive Director of the Company on 10 April 2007. He has been appointed as deputy general manager of Xiamen Port Holding since February 2007.

Mr. KE Dong, aged 48, is a Non-executive Director of the Company. He graduated in 1982 from Shanghai Maritime University with a bachelor's degree in English. From December 2003, he commenced his EMBA studies at the School of Management of Xiamen University. He is an Economist. He joined Xiamen Harbour Bureau in 1982, where he was a sales of the Xiamen Ocean Shipping Agency from 1982 to 1984, the deputy general manager of the Xiamen Ocean Shipping Agency from November 1984 to February 2001, and also the general manager of Xiamen Penavico International Freight from June 1999 to December 2000, then the general manager of Xiamen Port Logistics from February 2001 to July 2004. He had been a Director and general manager of Xiamen Port Development, a company listed on the Shenzhen Stock Exchange in the PRC, from August 2004 to April 2006. And he has been the Chairman of Xiamen Port Development since April 2006. He also acts as a Non-executive Director of the Company since March 2005.



Biographies of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. HUANG Shizhong, aged 46, is an Independent Non-executive Director of the Company. He obtained a doctoral degree in economics from the accountancy department of Xiamen University in 1993. He is the deputy head of the Xiamen State Accountancy School, professor and supervisor of doctoral candidates of the accountancy department of Xiamen University and a consulting member of the Accounting Standards Committee of the Ministry of Finance. He is also a member of the national steering committee of the Master's Degree in Professional Accounting Education and the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and was a Certified Public Accountant of Xiamen Tianjian Certified Public Accountants. He has been appointed as an Independent Non-executive Director of the Company since March 2005.

Mr. ZHEN Hong, aged 50, is an Independent Non-executive Director of the Company. He graduated in 1982 from Shanghai Maritime University with a bachelor's degree in port mechanics and a master degree of engineering in transportation management in 1988, and a doctor of science degree in management science and engineering from Fudan University in 1998. He was head of the management department, registrar and development and planning department of Shanghai Maritime University (formerly Shanghai Shipping Institute). He is a professor and supervisor of doctoral candidates in communication and transport planning and management of the Shanghai Maritime University and one of candidates of the first level of new century project of "thousands of talents" of the Ministry of Communications . He is also the standing director of China Association of Productivity Science, the deputy director and general secretary of water transportation subcommittee of the teaching steering committee of China Communication and Transportation discipline and a director of the China Communication and Transport System Engineering Institute and the China Technical Economic Research Institute. He has been appointed as an Independent Non-executive Director of the Company since March 2005.

Mr. HUI Wang Chuen, aged 64, is an Independent Non-executive Director of the Company. He graduated in 1968 from the Chemistry Department of Xiamen University. He worked for the Industry Bureau of Ningde City in Fujian Province from 1970 to 1974. He is the chairman of Kong Hee Enterprise Ltd., Fujian Fubao Paper Co. Ltd and Fuzhou Fubao Colour Printing Co., Limited. He has been appointed as an Independent Non-executive Director of the Company since March 2005.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. FANG Zuhui, aged 51, is the Chairman of the supervisory committee of the Company. Mr. Fang graduated from Xiamen Normal College in February 1982. He is a Senior Political Instructor with junior college education. He taught at Xiamen Houxi Middle School from February 1982 to March 1985. He was the secretary of Xiamen suburban government office from March 1985 to December 1986. He was officer, deputy head and head of the organising office of the urban administration committee of Xiamen and organiser at deputy bureau level of the city administration office of Xiamen from December 1986 to January 1998. From January 1998 to March 2005, he had been deputy party secretary and deputy Chairman of the supervisory committee of Xiamen Port (Group) Co., Ltd. He has been the Chairman of the supervisory committee of the Company since March 2005. In July 2005, he has been deputy party secretary of Xiamen Port Holding and also acts as its deputy Chairman since February 2007.

Mr. LUO Jianzhong, aged 53, is a Supervisor of the Company. He graduated in 1975 from the School of Communications Engineering of the People's Liberation Army and is an Economist. In 1996, he graduated in Electronic Counter Measures from Electronic Engineering College. He stationed at the Fuzhou and Nanjing Military Regions as the communication staff officer, battalion commander, deputy head and head of communications office from 1970 to 1995. He was an assistant to the head of Xiamen Harbour Bureau from 1995 to 1998. From January 1998 to March 2005, he was the chairman of the trade union and a Supervisor of Xiamen Port (Group) Co., Ltd. He acts as a Non-executive Director and the Chairman of Xiamen Port Electromechanic Engineering Co. Ltd. since March 2002 and the chairman of the supervisory committee of Xiamen Port Development since July 2004. Mr. Luo has been a Supervisor of the Company since March 2005. He has been appointed the Chairman of the trade union of Xiamen Port Holding since July 2005.

Mr. WU Jianliang, aged 45, is a Supervisor of the Company. He graduated in 1996 from the distance learning school of the Central Party School with undergraduate in foreign economics and is a Political Instructor. He was a telegram staff in the navy from November 1980 to November 1985. He worked as tally staff and committee member of the branch of the party of Xiamen Ocean Shipping Tally Company from December 1985 to May 1991. He was the officer, secretary to the office and officer of corporate management of the political office of Xiamen Harbour Bureau from June 1991 to May 1998. He was secretary to the office of the Group from June 1998 to September 2001. He was the manager of the administration department, deputy Chairman of the trade union and deputy secretary of the disciplinary committee of Xiamen Haitian Company from October 2001 to April 2005. And he became the Chairman of the trade union of Xiamen Haitian Company in February 2006. He has been a Supervisor of Xiamen Haitian Company since March 2002. Since April 2005, he has been deputy party secretary of Xiamen Haitian Company. He has been a Supervisor of the Company since March 2005.

Biographies of Directors, Supervisors and Senior Management

Mr. TANG Jinmu, aged 42, is an independent Supervisor of the Company and a Senior Accountant. He graduated in 1988 from the accountancy department of Xiamen University with a bachelor's degree. He obtained a master of business administration degree from the Open University of Hong Kong in December 2002. And he has been studying for a doctoral degree in the finance department of Xiamen University since September 2005. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He is working at the Xiamen Association of Certified Public Accountants since January 2002 and now as the secretary general and is concurrently secretary general of Xiamen Asset Appraisal Association. He has been a Supervisor of the Company since March 2005.

Mr. HE Shaoping, aged 51, is an independent Supervisor of the Company. He graduated in 1982 from the Fujian Forestry Institute and studied the master's degree programme in accountancy at the graduate school of Xiamen University in 1992. He is a Senior Accountant, auditor, asset valuer and with a qualification license for issuing and underwriting of securities. He taught at the accountancy department of Jimei Finance and Economics Institute for eleven years and was the head of Xiamen Jiyou Certified Public Accountants as well as directors, supervisors and financial controllers of a number of large industrial, commerce and trading and real estate companies. He is the manager of the audit department of Xiamen Housing Construction Group Co., Ltd. He has been a Supervisor of the Company since March 2005.

JOINT COMPANY SECRETARIES

Ms. HONG Lijuan, aged 44, is the joint company secretary of the Company. For further details regarding Ms. HONG Lijuan, please refer to the section headed "Executive Directors" above.

Mr. NGAI Wai Fung, aged 46, is the joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairmen of its China Affairs Committee and Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master degree of Corporate Finance from The Hong Kong Polytechnic University, a Master degree of Business Administration from Andrews University of the United States and a Bachelor degree of Laws (with Honours) from the University of Wolverhampton, the United Kingdom. He is also a PhD (thesis stage) in Finance at Shanghai University of Finance and Economics.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. FANG Yao, General Manager

Mr. FANG Yao is one of the Executive Directors of the Company. For further details regarding Mr. FANG Yao, please refer to the section headed "Executive Directors" above.

Mr. HUANG Zirong, Deputy General Manager

Mr. HUANG Zirong is one of the Executive Directors of the Company. For further details regarding Mr. HUANG Zirong, please refer to the section headed "Executive Directors" above.

Ms. HONG Lijuan, Deputy General Manager

Ms. HONG Lijuan is one of the Executive Directors of the Company. For further details regarding Ms. HONG Lijuan, please refer to the section headed "Executive Directors" above.

Mr. ZHANG Yibing

Mr. ZHANG Yibing, 38, the qualified accountant and head of the audit department of the Company, graduated from Jimei Finance College in July 1991 and obtained a bachelor of science degree with honours in Applied Accounting from Oxford Brookes University in December 2003. Mr. Zhang is a chartered certified accountant and was admitted as a member of the Association of Chartered Certified Accountants in England on 15 April 2004. Mr. Zhang is employed by the Company on a full-time basis and as a member of senior management. His responsibilities include overseeing accounting, financial and tax management and internal control of the Group. Mr. Zhang was appointed as a member of senior management of the Company by the Board. He performs managerial functions in the financial division of the Company. He is also a senior auditor, PRC certified public accountant, registered asset appraiser and registered tax adviser. From July 1991 to July 2002, Mr. Zhang served at Xiamen Audit Bureau and Xiamen Auditing Firm. From June 2001 to December 2003, Mr. Zhang attended an ACCA study course. From February 2004 to May 2005, he was an audit manager at InTec Products, Inc, (Xiamen). In June 2005, Mr. Zhang was appointed by the Board as the qualified accountant and a member of senior management of the Company. Since August 2006, he has been head of the audit department of the Company.

Mr. LU Jianwei

Mr. LU Jianwei, 36, the financial controller of the Company, is an Economist and PRC certified public accountant. He graduated from the school of business administration of Jiangxi Finance University in 1999 with a master's degree in economics. He is currently studying a doctoral degree in financial management at Xiamen University on a part-time basis. He worked for Nanyue Oil Pump and Nozzle Co., Ltd. in Hengyang, Hunan from 1994 to 1996. From 1999 to March 2005, Mr. Lu served at the corporate management department of Xiamen Port (Group) Co., Ltd. and was deputy manager of the corporate management department of the Company from July 2001 to March 2005. He was manager of the finance department of the Company from March 2005 to November 2005. He has been appointed the financial controller of the Company since November 2005.

Report of the Directors

The Board hereby presents the report of the directors and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007 (the "Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen city, the People's Republic of China (the "PRC"), and ancillary value added port services including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying and building materials manufacturing, processing and selling and the trading of industrial products (collectively the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long-term investment business. The principal activities of the subsidiaries of the Company are set out in note 44(a) to the financial statements.

Details of the Group's operating results for the year by business segments are set out in note 29 to the financial statements. No analysis by geographical segment is presented as all of the Group's activities are conducted in the PRC.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the relevant notice issued by Xiamen State-Owned Assets Supervision and Administration Commission, the 18,300,000 shares previously held by Xiamen State-Owned Assets Investment Corporation were transferred to Xiamen Light Industry Group Co., Ltd, and another domestic shareholder of the Company, Road & Bridge Construction Investment Corporation of Xiamen which was renamed as Xiamen Road & Bridge Construction Group Co., Ltd. To reflect the above changes in domestic shareholders truthfully, at the 2006 Annual General Meeting of the Company held on 8 June 2007, it was approved that the following amendments be made to the Articles of Association of the Company (the "Articles"):

i Sub-paragraphs (2) and (3) of Article 1 originally read:

"The Company was established by way of promotion on 3 March 2005 pursuant to the approval issued by the Xiamen Municipal Government entitled ''Approval Regarding Consent on the Conversion of Xiamen Port Group Company Limited into Xiamen International Port Co., Ltd'' (Xia Fu【2005】No. 32), and was registered with Xiamen Administration Bureau for Industry and Commerce on the same day with an enterprise legal person business licence numbered 3502001001982 issued." Pursuant to the approval issued by Xiamen Municipal Government entitled" Reply Concerning the Consent on the Increase of Share Capital and Change of Capital Structure of Xiamen International Port Co., Ltd" (Xia Fu【2005】No. 118), four additional investors invested in the Company, including Xiamen International Airport Group Co., Ltd, Road & Bridge Construction Investment Corporation of Xiamen, Xiamen Seashine Group Co., Ltd and Xiamen State-Owned Assets Investment Corporation. The increase in capital was registered with the Xiamen Administration Bureau for Industry and Commerce on 2 June 2005. Besides, the Company was issued a new enterprise legal person business licence.

Report of the Directors

The Promoter of the Company is Xiamen Port Holding Group Co., Ltd, holding 1,666,300,000 shares; other shareholders of the Company are: Xiamen International Airport Group Co., Ltd, holding 18,300,000 shares; Road & Bridge Construction Investment Corporation of Xiamen, holding 18,300,000 shares; Xiamen Seashine Group Co., Ltd, holding 18,300,000 shares; Xiamen State-Owned Assets Investment Corporation, holding 18,300,000 shares."

Sub-paragraphs (2) and (3) of Article 1 as amended now read:

"The Company was established by way of promotion on 3 March 2005 pursuant to the approval issued by the Xiamen Municipal Government entitled "Approval Regarding Consent on the Conversion of Xiamen Port Group Company Limited into Xiamen International Port Co., Ltd" (Xia Fu【2005】No. 32), and was registered with Xiamen Administration Bureau for Commerce and Industry on the same day with an enterprise legal person business licence numbered 3502001001982 issued.

The Promoter of the Company is Xiamen Port Holding Group Co., Ltd, holding 1,666,300,000 shares; the other holders of Domestic Shares of the Company are: Xiamen International Airport Group Company Limited, holding 18,300,000 shares; Xiamen Road & Bridge Construction Group Co., Ltd, holding 18,300,000 shares; Xiamen Seashine Group Co., Ltd, holding 18,300,000 shares; and Xiamen Light Industry Group Co., Ltd, holding 18,300,000 shares."

ii **Article 15 originally read:**

"With the approval of the companies approving department authorised by the State Council, the total number of ordinary shares issuable by the Company is 2,726,200,000 ordinary shares. 1,756,000,000 shares were issued to the Promoter upon its establishment and 18,300,000 shares were issued to each of the four other shareholders during capital raising, in aggregate representing 67.1% of the total issuable ordinary shares of the Company."

Article 15 as amended now reads:

"With the approval of the companies approving department authorised by the State Council, the total number of ordinary shares issuable by the Company is 2,726,200,000 ordinary shares. 1,756,000,000 shares were issued to the Promoter, representing an aggregate of 64.41% of the total issuable ordinary shares of the Company."

Report of the Directors

iii Article 16 originally read:

"Subsequent to the establishment of the Company, 897,000,000 ordinary shares were issued and 89,700,000 shares were sold by the Promoter from its shareholding. The share capital structure of the Company after the afore-mentioned capital raising and share sale is: a total of 2,726,200,000 ordinary shares, of which the Promoter, Xiamen Port Holding Group Co., Ltd holds 1,666,300,000 shares, each of Xiamen International Airport Group Co., Ltd, Road & Bridge Construction Investment Corporation of Xiamen, Xiamen Seashine Group Co., Ltd and Xiamen State-Owned Assets Investment Corporation holds 18,300,000 shares, representing in aggregate approximately 63.81% of the total share capital of the Company. Holders of H Shares hold 986,700,000 shares, representing approximately 36.19% of the total share capital of the Company."

Article 16 as amended now reads:

"Subsequent to the establishment of the Company, 73,200,000 shares were issued for capital increase, 897,000,000 ordinary shares were issued to the public and 89,700,000 shares were sold by the Promoter from its shareholding. The current share capital structure of the Company is: a total of 2,726,200,000 ordinary shares, of which the Promoter, Xiamen Port Holding Group Co., Ltd holds 1,666,300,000 shares, each of the other holders of Domestic Shares holds 18,300,000 shares, representing in aggregate approximately 63.81% of the total share capital of the Company. Holders of H Shares hold 986,700,000 shares, representing approximately 36.19% of the total share capital of the Company."

The Company has already completed the changing procedures of Certificate of Approval for Establishment of Enterprises with Foreign Investment and Business License with the Ministry of Commerce of the PRC and State Administration for Industry and Commerce respectively. It has also completed the relevant recordal formalities for the amendment of the Articles of Association in accordance with the relevant laws and regulations of the PRC and Hong Kong.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 73.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB5.7 cents per share, aggregating RMB155,393,400 to all shareholders whose names appeared on the registers of members on 19 June 2008 (being the record date), subject to the approval of the same at the forthcoming annual general meeting to be held on 20 June 2008.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in note 28 to the financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 5 to the financial statements.

DONATIONS

For the year ended 31 December 2007, total donations made by the Group were approximately RMB198,800.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2007:

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 year ended 31 December 2007.

RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to the PRC Company Law, the Company may distribute a dividend only out of the profit currently available for distribution, being the balance of the net profit after tax of the Company after deducting (i) accumulated losses of prior years, and (ii) allocations to the statutory surplus reserve and, if any, the discretionary profit reserve (in order of their priorities). Pursuant to the Articles of Association of the Company, in determining the profit available for distribution, the profit after tax of the Company shall be the lower of the profit after tax calculated in accordance with (i) the PRC Accounting Standards and Regulations and (ii) the generally accepted accounting principles in Hong Kong.

On 31 December 2007, the amount of reserves available for distribution, calculated on the above basis, was approximately RMB155,458,591.7.

PRE-EMPTION RIGHTS

Pursuant to the Articles of Association of the Company and the PRC laws, there is no provision for pre-emption which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Report of the Directors

FINANCIAL HIGHLIGHTS

Highlights of the Group's results and assets and liabilities are set out on page 4.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the year ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any securities (as defined in the Listing Rules) of the Company.

ACQUISITIONS AND DISPOSALS

On 15 July 2007, Xiamen Road & Bridge Building Materials Corporation Ltd ("Xiamen Road & Bridge Building Materials"), an indirect subsidiary of the Group, entered into an agreement with Xiamen Road & Bridge Construction Group Co., Ltd ("Xiamen Road & Bridge Construction Group"), pursuant to which it was agreed that the 15% equity interest in Xiamen Road and Bridge Concrete Engineering Corporation Ltd held by Xiamen Road & Bridge Building Materials would be transferred to Xiamen Road & Bridge Construction Group at a consideration of RMB15,267,825 (based on its assessment value). The transaction became effective after approval by Xiamen State-Owned Assets Supervision and Administration Commission on 24 July 2007. This transaction does not constitute a discloseable transaction.

Apart from the above, for the year ended 31 December 2007, the Group did not make any major acquisition or disposal of its subsidiaries, jointly controlled entities and associated companies.

DIRECTORS AND SUPERVISORS

As at 31 December 2007, the Board comprises twelve Directors, including five Executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan; four Non-executive Directors, namely Mr. FU Chengjing, Ms. MIAO Luping, Mr. LIN Kaibiao and Mr. KE Dong; and three Independent Non-executive Directors, namely Mr. HUANG Shizhong, Mr. ZHEN Hong and Mr. HUI Wang Chuen. The Supervisory Committee comprises five Supervisors, including three Supervisors, namely Mr. FANG Zuhui, Mr. LUO Jianzhong and Mr. WU Jianliang; and two independent Supervisors, namely Mr. TANG Jinmu and Mr. HE Shaoping.

During the reporting period, at the seventeenth meeting of the first session of the Board held on 10 April 2007, the Board had accepted the resignation of Mr. ZENG Yingguo as Chairman and Director of the Company, the retirement of Mr. LIN Kaibiao, the Director, as deputy general manager of the Company and approved the appointment of Mr. ZHENG Yongen, the Director, as Chairman of the Board of the Company. The Board also approved the re-designation of Mr. ZHENG Yongen from Non-executive Director to Executive Director and the re-designation of Mr. LIN Kaibiao from Executive Director to Non-executive Director. At the 2006 Annual General Meeting of the Company held on 8 June 2007, Ms. HONG Lijuan was appointed as an Executive Director of the Company.

Report of the Directors

In accordance with the Articles, each Director and Supervisor shall be appointed for a term of three years. Upon the expiry of his or her term of service, a Director or Supervisor shall be eligible for re-election. Besides, there is no requirement of retirement by rotation specified in the Articles. On 29 February 2008, all the above Directors of the Company and four Supervisors including Mr. FANG Zuhui, Mr. LUO Jianzhong, Mr. TANG Jinmu and Mr. HE Shaoping were re-elected at the first extraordinary general meeting of the Company in 2008 (Mr. WU Jianliang is a staff representative supervisor and was also re-elected at the staff representatives' meeting). On the same day, at the first meeting of the second session of the Board, Mr. ZHENG Yongen was elected as the Chairman, and Mr. CHEN Dingyu was elected as the deputy Chairman. Mr. FANG Zuhui was also elected as the Chairman of the Supervisory Committee at the first meeting of the second session of the Supervisory Committee of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the date of this report, each of the Directors and Supervisors of the Company had already entered into a service contract with the Company for a term of not more than three years once again. The Company did not enter into a service contract with any Director or Supervisor, which is indeterminable by the Company within one year without payment, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and Supervisors are set out in note 38 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

The Directors or Supervisors did not have any contracts of significance to which the Company, its subsidiaries, its fellow subsidiaries or its ultimate holding company was a party in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of Directors, Supervisors and Senior Management are set out on pages 42 to 48.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

At any time during the year ended 31 December 2007, the Company, its subsidiaries, its fellow subsidiaries or its ultimate holding company was not a party to any arrangement which would enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2007, none of the Directors, Supervisors 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 will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director or Supervisor is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2007, so far as was known to the Directors of the Company, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of Share	Number of shares	Capacity	% of the relevant class of share capital	% of the total share capital
Xiamen Port Holding	Domestic Shares	1,666,300,000 (Long position)	Beneficial owner	95.79%	61.12%
China Shipping (Group) Co. *(Note 1)*	H Shares	87,992,000 (Long position)	Interest of controlled corporation	8.92%	3.23%
China Shipping (Hong Kong) Holdings Co. Limited *(Note 1)*	H Shares	87,992,000 (Long position)	Interest of controlled corporation	8.92%	3.23%
China Shipping Terminal Development (Hong Kong) Company Limited *(Note 1)*	H Shares	87,992,000 (Long position)	Beneficial owner	8.92%	3.23%
Platinum Asset Management Limited	H Shares	80,319,000 (Long position)	Trustee	8.14%	2.95%

Note 1: The 87,992,000 shares referred to the same batch of shares.

Report of the Directors

Save as disclosed above, as at 31 December 2007, so far as was known to the Directors of the Company, no other persons (other than the Directors or Supervisors) 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into any contract in respect of the management or administration of the entire business or any significant business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

Save for China Shipping (Group) Co., which had an attributable interest of 3.23% in the issued share capital of the Company as at 31 December 2007, held 59.87% interest in China Shipping Container Lines Co., Ltd, one of the five largest customers of the Group, none of the Directors, Supervisors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

In 2007, the Group entered into certain one-off connected transactions with Xiamen Port Holding the controlling shareholder of the Company, and Hutchison Ports Haicang Limited ("Hutchison Ports"), a connected party of the Group respectively:

In relation to the Xiamen Xiangyu Free Trade Logistic Park Zone project (the "Project"), XPD, a listed subsidiary of the Group, entered into a land grant contract with Xiamen Land Bureau and Xiangyu Administrative Committee on 23 March 2007 (the "Contract"). Pursuant to the Contract, Xiamen Land Bureau granted the land use right of 262,210.835 square metres of land (the "Land Use Right") to XPD at a consideration of approximately RMB214,488,000. After netting off the compensation received from Xiangyu Administrative Committee of RMB96,856,000 for the resumption of the land use rights in connection with the Project, the net amount paid by the Group for the acquisition of the Land Use Right amounted to RMB117,632,000. The Company considered that the transaction involving the acquisition of the land use rights of 49,260.40 square metres of land, which was acquired by XPD and was originally owned by Xiamen Port Holding, constituted a connected transaction pursuant to the Listing Rules. The relevant consideration for acquiring the land use rights of the 49,260.40 square metres of land was approximately RMB40,295,007.

Report of the Directors

On 3 May 2007, the Company and a member company of Hong Kong Hutchison Group, Hutchison Ports Haicang Limited ("Hutchison Ports"), entered into Xiamen Haicang Port Area Berth Number 1 Terminal Project Framework Agreement and in accordance with the intent thereof, Xiamen Haicang International Container Terminals Limited Joint Venture Contract and the Articles of Association of Xiamen Haicang International Container Terminals Limited. It was provided that the Company and Hutchison Ports were to establish by way of equity joint venture a sino-foreign equity joint venture limited company, that is, Xiamen Haicang International Container Terminals Limited, to engage in the development and operation of container terminals, and to engage in the operation of Xiamen Haicang Port Area berth No. 1 terminal project through such joint venture company as the operating entity. The operating term of the joint venture company is 50 years and its initial total investment amount and registered capital are RMB737,797,400 and RMB454,715,000 respectively, 51% and 49% of the share equity are held by the Company and Hutchison Ports respectively. The relevant registration procedures were completed by the two parties on 15 May 2007.

Set out below is a table summarising the aforesaid one-off connected transactions.

	Transaction	**Connected party**	**Date of the agreement**	**Amount** *(RMB)*
A.	Acquisition of a 49,260.40 square-metre site by XPD, a subsidiary of the Company	Xiamen Port Holding	23 March 2007	40,295,007
B.	Establishment of Xiamen Haicang International Container Terminals Limited by the Company by way of equity joint venture	Hutchison Ports	3 May 2007	231,904,650

Note: By 31 December 2007, the transfer of assets and payment procedures under connected transaction A, and the relevant registration and initial capital contribution procedures under connection transaction B had been completed.

Report of the Directors

In 2007, due to business demands of the Group, the Group entered into certain non-exempt continuing connected transactions with Xiamen Port Holding and its subsidiaries (collectively, the "Xiamen Port Holding Group'') and certain other parties outside the Group. Set out below is a table summarising the non-exempt continuing connected transactions.

			2007	
	Services	**Connected party**	**Proposed annual cap** *(RMB)*	**Actual amount incurred** *(RMB)*
A.	Office and premises lease	Xiamen Port Holding Group	12,200,000	9,319,000
B.	Logistical property services	Xiamen Port Holding Group	7,320,000	4,985,000
C.	Comprehensive services	Xiamen Port Holding Group	25,220,000	19,326,000
D.	Construction project management	Xiamen Port Holding Group	8,500,000	6,290,000
E.	Port facilities engineering and construction	Xiamen Port Holding Group	21,350,000	8,366,000
F.	Port-related labour services	Xiamen Port Holding Group	32,500,000	17,805,000
G.	Electrical equipment maintenance	Xiamen Port Holding Group	11,664,000	3,970,000
H.	Port services	COSCO Container Lines Co. Ltd	91,650,000	68,670,000
I.	Port Services	Xiamen Tidak International Transportation Co., Ltd	4,300,000	1,969,000
J.	Power supply and maintenance	Xiamen Port Holding Group	8,400,000	3,760,000
K.	Container horizontal transportation	Xiamen Port Holding Group (new transaction)	5,598,000	4,321,000
L.	Terminal labour and tallying services	Xiamen Port Holding Group (new transaction)	2,300,000	1,062,000

Notes:

1. Payment for the capital expenditure relating to connected transaction D regarding construction project management, as set out in the above table, was extended from 2006 to 2007. In connection thereto, the 2007 annual cap was increased from RMB3.75 million to RMB8.50 million as approved by the Board of the Company;

2. Connected transaction J, regarding power supply and maintenance, as set out in the above table, was an exempt continuing connected transaction in 2006. In consideration of the rapid expansion of such business, which led to a substantial increase in the transaction amount, its 2007 annual cap was increased from RMB1.10 million to RMB8.40 million by the Board of the Company. Accordingly, such transactions were reclassified as non-exempt continuing connected transactions instead of exempt continuing connected transactions, in accordance with the Listing Rules.

Report of the Directors

INTRA-GROUP CONNECTED TRANSACTIONS

In 2007, due to business demands of the Group, members of the Group also entered into certain intra-group transactions which constituted non-exempt continuing connected transactions of the Company. Set out below are details of the aforesaid transactions.

Each of XICT and Xiamen Penavico International Freight and Forwarding Co., Ltd ("Xiamen Penavico International Freight") is a non wholly-owned subsidiary of the Company having a shareholder outside the Group holding more than 30% equity interest in and involved in business management by appointing director(s)/senior management to the relevant subsidiary. Hence, each of XICT and Xiamen Penavico International Freight is deemed a connected party of the Company pursuant to Rule 14A.06 of the Listing Rules and transactions among those companies and/or with other members of the Group and/or other connected parties of the Group constitute connected transactions of the Company.

XICT and Xiamen Haitian Container Terminals Co. Ltd ("Xiamen Haitian Company", a non wholly-owned subsidiary of the Company), as owners and operators of terminals, have been providing port-related services to Xiamen Port Logistics Co., Ltd ("Xiamen Port Logistics", an indirect non wholly-owned subsidiary of the Company) and Xiamen Penavico International Freight when the latter conducting container and freight forwarding business for third party cargo owners at the relevant terminals. Xiamen Port Transportation Co., Ltd ("Xiamen Port Transportation", an indirect non wholly-owned subsidiary of the Company), also provides container surface forwarding services for XICT. In order to enhance the utilisation rate of the terminals, XICT and the Company's Hairun terminal provide berthing and unberthing terminal operation services for one another from time to time. For such purpose, XICT also has temporarily used the Company's Haicang Berth No. 1. The relevant port service fees and container forwarding fees are charged at tariffs either prescribed by Ministry of Communication and the Pricing Bureau of Xiamen Municipal Government or, if there are no such prescribed tariffs, at tariffs determined by the parties with reference to prevailing market rates. Certain contracts were entered into among those members of the Group setting out the terms and conditions of the provision of the relevant services. A summary of the aforesaid contracts is set out in the table below:

Report of the Directors

	Service Provider	Service Receiver	Service Scope	Term of Contract
1.	Xiamen Port Logistics (service succeeded by Xiamen Port Transportation from 1 July 2006)	XICT	Container horizontal transportation	1 January 2005 to 31 December 2007
2.	Xiamen Haitian Company	Xiamen Penavico International Freight	Port-related services	1 January 2005 to 31 December 2007
3.	XICT	Xiamen Penavico International Freight	Port-related services	1 January 2005 to 31 December 2007
4.	XICT	Xiamen Port Logistics	Port-related services	1 January 2005 to 31 December 2007
5.	The Company (Haicang Berth No. 1)	XICT	Use of terminal assets	1 September 2006 to 28 February 2007, and 1 May 2007 to 31 August 2007
6.	The Company (Hairun Terminal)	XICT	Terminal operation services	1 July 2006 to 31 December 2007

For the year ended 31 December 2007, the proposed aggregate cap of the above transactions numbered 1 to 4 was RMB17,539,522, and the actual amount incurred was RMB10,515,000; the proposed aggregated cap of transaction numbered 5 was RMB18,100,000, and the actual amount incurred was RMB7,200,000; the proposed aggregate cap of transaction numbered 6 was RMB8,000,000, and the actual amount incurred was RMB1,824,000.

The Independent Non-executive Directors, Mr. HUANG Shizhong, Mr. ZHEN Hong and Mr. HUI Wang Chuen, have reviewed the above connected transactions and confirmed that those transactions have been entered into:

(1) in the ordinary and usual course of business of the Company and the Group (where appropriate);

(2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

For the purpose of Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above connected transactions disclosed herein for the year ended 31 December 2007 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that the aforesaid connected transactions have been:

(1) approved by the Board of the Company;

(2) with respect to connected transactions of revenue in nature, entered into in accordance with the pricing policies of the Company;

(3) entered into in accordance with the terms of the agreements governing the relevant transactions; and

(4) within the relevant caps disclosed previously.

The non-exempt continuing connected transactions, including connected transactions A-J set out in the table on page 58, being entered into between the Company and Xiamen Port Holding Group, COSCO Container Lines Co., Ltd and Xiamen Tidak International Transportation Co., Ltd, as well as the intra-group non-exempt continuing connected transactions, including connected transactions 1, 3 and 6 set out in the table on page 60, all expired by the end of 2007. In consideration of the above and the business demands of the Group, the Board of Directors of the Company approved that the performance of such connected transactions be extended for the period from 1 January 2008 to 31 December 2010, in accordance with the relevant requirements of the Listing Rules and the Company's Articles. In particular, connected transactions A to F and H were approved at the first extraordinary general meeting in 2008 in accordance with the relevant provisions under Chapter 14 of the Listing Rules.

The company was complied with the requirements of the waivers granted by Stock Exchange or the disclosure requirements under Chapter 14A of the Listing Rules.

PENSION SCHEME

Details of the pension schemes of the Group are set out in note 31 to the financial statements.

Report of the Directors

USE OF H SHARE PROCEEDS

As at 31 December 2007, the Group had utilized approximately RMB649 million of the proceeds from the listing of H Shares to repay bank loans and the application of proceeds to repay bank loans as specified in the prospectus of the Company dated 6 December 2005 (the "Prospectus") was fully used; approximately RMB422 million of the proceeds to fund the construction of berths No. 1, 4 and 5 of Haicang port area, with a balance of approximately RMB28,150,000 remaining for terminal construction as specified in the Prospectus; approximately RMB85,100,000 had been used for general working capital, of which RMB35,000,000 had been applied to repay working capital borrowings from banks. A total of approximately RMB1,156 million had been utilized for the above 3 applications, with a remaining balance of approximately RMB28,150,000. Nevertheless, there is no material change in the proposed use of net proceeds as stated in the Prospectus.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

On 31 December 2007, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

TAXATION

On 25 January 2007, the branch office of the State Tax Administration in Xiamen approved that the profit of the Company arising from the activities of production and operation of port and terminal construction shall be exempt from enterprise income tax for the first five years commencing from the first profitable year of the Company and a 50% reduction of enterprise income tax from the sixth to the tenth years by issuing the document Xia Guo Shui Zhi Han【2007】No. 1 "Letter in respect of the agreement to the application of Xiamen International Port Co., Ltd for reduction and exemption of income tax of foreign investment enterprises and foreign enterprises". However, in the event that the actual period of production and operation of the Company does not exceed fifteen years, all enterprise income taxes of a foreign investment enterprise so exempted or reduced shall be repayable. On 16 March 2007, the branch office of the State Tax Administration in Xiamen agreed that the period for calculation of exemption and reduction of enterprise income tax shall commence from 2007 by issuing the document Xia Guo Shui Zhi Shu Zheng Zi【2007】No. 47 "Letter in respect of the advice to the application of Xiamen International Port Co., Ltd for 2007 to be the year of commencement for the calculation of exemption and reduction of enterprises income tax". At the same time, the PRC Ministry of Commerce issued the "Confirmation certificate in respect of foreign investment project encouraged for development by the State" (Code: Shang Zi Que【2006】No. 33) to the Company on 7 November 2006. The certificate authorised the Company to apply to the local customs at the location of the project for duty exemption on imported equipment in accordance with the relevant requirements.

Report of the Directors

Given that the Group is located in the Xiamen Special Economic Zone, in accordance with the "Notice Regarding the Implementation of the Transitional Preferential Treatment for Enterprise Income Tax" issued by the PRC government on 26 December 2007, within the five years after the new Enterprise Income Tax is in force in 2008, the 15% preferential tax rate will be increased gradually to the statutory tax rate of 25% such that the transitional tax rate will be 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% (the statutory tax rate) for 2012. With the exception of the Enterprise Income Tax Concessions mentioned above, being applicable from 2007 onwards, as well as the fact that the tax rate applicable to XICT in 2007 was 7.5%), the income tax rate applicable to the member companies of the Group remained to be 15% in 2007, but will be increased as mentioned above during the 5 years transition period.

Save as aforementioned, the Company is not aware of any other tax concession relevant to the holding of any securities of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has fully complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since it was listed on the Stock Exchange on 19 December 2005. Details of the discussion of such compliance are set out in the "Corporate Governance Report" section of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, shares issued by the Company had sufficed for and exceeded that of 25% of public float requirement as specified in the Listing Rules as at the date of this Annual Report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, who will retire at the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers as the auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

ZHENG Yongen
Chairman

Xiamen, the PRC
18 April 2008

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2007

During the year ended 31 December 2007, all members of the Supervisory Committee of the Company had discharged their supervisory duties in compliance with the provisions of the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company (the "Articles") and other requirements of applicable laws and regulations and pursuant to the principles of good faith, prudence and diligence, and had dedicated to enhancing the level of standardised operation in order to safeguard the interests of all the shareholders and the Company.

During the reporting period, the Supervisory Committee convened three meetings, mainly for the review of financial documents such as the annual report and interim report and the report on the work of the Supervisory Committee in 2006, the nomination of candidates for the relevant members of the second session of the Supervisory Committee as well as resolutions on specific projects. Thereafter, all members of the Supervisory Committee of the Company were re-elected at the first Extraordinary General Meeting of the Company in 2008. Mr. Fang Zuhui was also re-elected as the Chairman of the Supervisory Committee at the first meeting of the second session of the Supervisory Committee of the Company held on 29 February 2008.

During the reporting period, all members of the Supervisory Committee of the Company attended all the Board meetings and General Meetings of the Company convened in 2007, reviewed information, minutes and resolutions of such meetings and monitored and reviewed the implementation of resolutions passed in Board meetings and general meetings. In the opinion of the Supervisory Committee, the Directors and senior management of the Company performed their duties according to the resolutions passed in general meetings. During the reporting period, the Supervisory Committee carried out key investigations on aspects such as operating policies, financial management and the construction of internal control systems for the two main subsidiaries of the Company, namely Xiamen Haitian Container Terminal Co., Ltd. and China Ocean Shipping Agency (Xiamen) Co., Ltd.. In the opinion of the Supervisory Committee, the operation and development of the two subsidiaries were satisfactory, no circumstance of contravention of laws or regulations was discovered, and their work reports basically reflected the actual state of affairs of these subsidiaries.

Report of the Supervisory Committee

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2007

1. Operation of the Company in compliance with the law

During the reporting period, the Supervisory Committee had maintained close attention to the state of the Company's operation management and monitored the performance of duties by the Directors and senior management of the Company. The Supervisory Committee was of the opinion that the Company's operation was normal, procedures of standardization and decision-making were legal and in compliance with all the laws and regulations and the Listing Rules. The Supervisory Committee also considered that the Directors and senior management of the Company had discharged their duties proactively in strict compliance with the applicable laws and regulations of the PRC and Hong Kong and operated the Company in compliance with the applicable legal requirements with a standardized operation system in place. No contravention of laws or regulations or the Articles nor acts detrimental to the interests of all the shareholders and the Company were found.

2. Financial position of the Company

The Supervisory Committee had conducted reviews of the 2007 financial report, the 2007 profit allocation proposal and the 2007 auditors' report issued by the auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants. The Supervisory Committee was of the opinion that the financial condition of the Company was sound with standardised financial management. The 2007 financial report of the Company gives a true and fair view of the financial conditions and operating results of the Company for the reporting period. The Supervisory Committee concurred with the auditors' opinions and agreed with the 2007 profit allocation proposal of the Company.

3. Connected transactions of the Company

The Supervisory Committee was of the opinion that, during the reporting period, the transaction prices the Company paid or received (as the case may be) in connection with the acquisition or disposal of assets respectively were reasonable, and no insider dealings were discovered. Each connection transaction the Company was involved in was concluded in the ordinary course of business of the Company on normal commercial terms. These connected transactions were fair and reasonable and not detrimental to the interests of all the Company and its shareholders.

Report of the Supervisory Committee

In 2008, all Supervisors of the Supervisory Committee will continue to discharge their duties in strict compliance with the principle of good faith. They will continue to strengthen supervision in order to safeguard and protect the legal interests of the shareholders and the Company.

By Order of the Supervisory Committee
XIAMEN INTERNATIONAL PORT CO., LTD

Fang Zuhui
Chairman

Xiamen, PRC
18 April 2008

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF XIAMEN INTERNATIONAL PORT CO., LTD
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 176, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 April 2008

Consolidated Balance Sheet

As at 31 December 2007

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**3,222,243**	3,007,689
Land use rights	*6*	**1,037,917**	889,793
Intangible assets	*7*	**33,483**	26,016
Interests in associates	*10*	**35,333**	44,925
Available-for-sale financial assets	*11*	**165,442**	44,812
Long-term bank deposits	*12*	**7,306**	7,809
Derivative financial instrument	*18*	**–**	3,053
Deferred income tax assets	*13*	**50,617**	32,126
Total non-current assets		**4,552,341**	4,056,223
Current assets			
Inventories	*14*	**403,025**	118,065
Accounts and notes receivable	*15*	**546,557**	448,342
Other receivables and prepayments	*16*	**468,935**	168,990
Other financial assets at fair value through profit or loss	*17*	**8,931**	–
Term deposits with initial term of over three months	*19*	**94,050**	419,718
Restricted cash	*20*	**41,751**	41,241
Cash and cash equivalents	*21*	**1,001,285**	594,687
Total current assets		**2,564,534**	1,791,043
Total assets		**7,116,875**	5,847,266
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*27*	**2,726,200**	2,726,200
Reserves	*28*	**875,947**	585,444
		3,602,147	3,311,644
Minority interests		**880,813**	806,127
Total equity		**4,482,960**	4,117,771

Consolidated Balance Sheet

As at 31 December 2007

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**545,070**	591,308
Derivative financial instrument	*18*	**4,483**	–
Deferred government grants and income	*24*	**153,757**	151,178
Early retirement benefit obligations	*26*	**5,802**	7,334
Deferred income tax liabilities	*13*	**41,434**	7,147
Total non-current liabilities		**750,546**	756,967
Current liabilities			
Accounts and notes payable	*22*	**986,099**	634,940
Other payables and accruals	*23*	**379,343**	264,798
Borrowings	*25*	**462,157**	5,944
Taxes payable		**55,770**	66,846
Total current liabilities		**1,883,369**	972,528
Total liabilities		**2,633,915**	1,729,495
Total equity and liabilities		**7,116,875**	5,847,266
Net current assets		**681,165**	818,515
Total assets less current liabilities		**5,233,506**	4,874,738

The notes on pages 76 to 176 are an integral part of these consolidated financial statements.

On behalf of the board

ZHENG Yongen
Director

FANG Yao
Director

Balance Sheet

As at 31 December 2007

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**1,789,577**	1,587,528
Land use rights	*6*	**456,832**	465,117
Investments in subsidiaries	*8*	**1,402,633**	1,402,633
Investments in jointly controlled entities	*9*	**80,265**	3,315
Available-for-sale financial assets	*11*	**160,986**	40,356
Derivative financial instrument	*18*	**–**	3,053
Deferred income tax assets	*13*	**1,185**	750
Total non-current assets		**3,891,478**	3,502,752
Current assets			
Inventories	*14*	**991**	131
Accounts receivable	*15*	**55,284**	26,134
Other receivables	*16*	**45,111**	34,840
Term deposits with initial term of over three months	*19*	**20,000**	230,000
Restricted cash	*20*	**8,800**	7,240
Cash and cash equivalents	*21*	**319,834**	123,599
Total current assets		**450,020**	421,944
Total assets		**4,341,498**	3,924,696
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*27*	**2,726,200**	2,726,200
Reserves	*28*	**725,918**	473,523
Total equity		**3,452,118**	3,199,723

Balance Sheet

As at 31 December 2007

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**432,830**	542,188
Derivative financial instrument	*18*	**4,483**	–
Deferred government grants and income	*24*	**117,383**	119,412
Deferred income tax liabilities	*13*	**36,224**	4,098
Total non-current liabilities		**590,920**	665,698
Current liabilities			
Accounts payable	*22*	**11,766**	2,734
Other payables and accruals	*23*	**177,586**	48,487
Borrowings	*25*	**103,157**	3,064
Taxes payable		**5,951**	4,990
Total current liabilities		**298,460**	59,275
Total liabilities		**889,380**	724,973
Total equity and liabilities		**4,341,498**	3,924,696
Net current assets		**151,560**	362,669
Total assets less current liabilities		**4,043,038**	3,865,421

The notes on pages 76 to 176 are an integral part of these consolidated financial statements.

On behalf of the board

ZHENG Yongen	**FANG Yao**
Director	*Director*

Consolidated Income Statement

For the year ended 31 December 2007

		Year ended 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
Revenues	*29*	**2,890,969**	1,724,361
Cost of sales	*32*	**(2,250,399)**	(1,117,416)
Gross profit		**640,570**	606,945
Other income	*29*	**35,056**	34,043
Other gains – net	*30*	**60,962**	57,469
Selling and marketing expenses	*32*	**(29,172)**	(21,536)
General and administrative expenses	*32*	**(159,198)**	(183,907)
Operating profit		**548,218**	493,014
Finance income	*33*	**27,676**	23,148
Finance costs	*33*	**(17,158)**	(17,954)
Operating profit after finance income and costs		**558,736**	498,208
Share of results of associates	*10*	**4,471**	6,380
Profit before income tax		**563,207**	504,588
Income tax expense	*34(a)*	**(56,632)**	(93,988)
Profit for the year		**506,575**	410,600
Attributable to:			
Equity holders of the Company	*35*	**374,417**	280,985
Minority interests		**132,158**	129,615
		506,575	410,600
Dividend	*36*	**155,393**	177,203
Earnings per share for profit attributable to the equity holders of the Company during the year – Basic and diluted (in RMB cents)	*37*	**13.73**	10.31

The notes on pages 76 to 176 are an integral part of these consolidated financial statements.

On behalf of the board

ZHENG Yongen
Director

FANG Yao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to the Company's equity holders					
	Capital RMB'000 *(Note 27)*	**Other reserves** RMB'000 *(Note 28)*	**Retained earnings** RMB'000 *(Note 28)*	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2006	2,609,200	(153,951)	400,546	2,855,795	724,276	3,580,071
Fair value gain on available-for-sale financial assets						
– Gross	–	53,536	–	53,536	23,825	77,361
– Related deferred income tax	–	(8,030)	–	(8,030)	(3,575)	(11,605)
Release of reserve upon disposal of an available-for-sale financial asset						
– Gross	–	(29,270)	–	(29,270)	(23,825)	(53,095)
– Related deferred income tax	–	4,390	–	4,390	3,575	7,965
Profit for the year	–	–	280,985	280,985	129,615	410,600
Liquidation of a subsidiary	–	–	–	–	(3,620)	(3,620)
Conversion of domestic shares into 11,700,000 H-Shares	(11,700)	–	–	(11,700)	–	(11,700)
Issuance of H-Shares	128,700	55,028	–	183,728	–	183,728
Share issuance costs	–	(17,790)	–	(17,790)	–	(17,790)
Profit appropriation	–	63,737	(63,737)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	(44,144)	(44,144)
Balance at 31 December 2006	2,726,200	(32,350)	617,794	3,311,644	806,127	4,117,771
Fair value gain on available-for-sale financial assets						
– Gross	–	120,630	–	120,630	–	120,630
– Related deferred income tax	–	(30,158)	–	(30,158)	–	(30,158)
Impact of new CIT Law on deferred income tax recognised directly in equity *(Note 34(a))*	–	2,817	–	2,817	5,610	8,427
Profit for the year	–	–	374,417	374,417	132,158	506,575
2006 final dividend	–	–	(177,203)	(177,203)	–	(177,203)
Profit appropriation	–	25,892	(25,892)	–	–	–
Adjustment to surplus reserve *(Note 28(a)(iii))*	–	(399,987)	399,987	–	–	–
Contribution from minority shareholder of a subsidiary	–	–	–	–	1,400	1,400
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	(64,482)	(64,482)
Balance at 31 December 2007	**2,726,200**	**(313,156)**	**1,189,103**	**3,602,147**	**880,813**	**4,482,960**

The notes on pages 76 to 176 are an integral part of these consolidated financial statements.

On behalf of the board

ZHENG Yongen
Director

FANG Yao
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

		Year ended 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Net cash generated from operations	*39(a)*	**465,945**	464,605
Interest paid		**(43,629)**	(15,454)
Income tax paid		**(67,000)**	(79,917)
Net cash generated from operating activities		**355,316**	369,234
Cash flows from investing activities			
Liquidation of a subsidiary, net of cash disposed		**–**	(3,603)
Purchases of property, plant and equipment		**(366,559)**	(419,178)
Proceeds from disposals of property, plant and equipment		**1,194**	1,116
Purchases of intangible assets and land use rights		**(181,208)**	(346)
Investment in an associate		**–**	(600)
Net decrease/(increase) in long-term bank deposits		**503**	(7,809)
Contribution from minority shareholder of a subsidiary		**1,400**	–
Contribution from a joint venture party of a jointly controlled entity		**37,705**	–
Proceeds from disposal of an associate		**15,268**	4,648
Proceeds from disposal of available-for-sale financial assets		**–**	64,907
Interest received		**21,015**	17,685
Dividends received		**5,397**	3,383
Net decrease/(increase) in term deposits with initial term of over three months		**325,668**	(235,307)
Net cash used in investing activities		**(139,617)**	(575,104)
Cash flows from financing activities			
Proceeds from borrowings		**501,120**	39,554
Repayments of borrowings		**(84,944)**	(374,743)
Net proceeds from issuance of H-shares		**–**	188,703
Special dividends paid to parent company		**–**	(108,402)
Dividends paid to shareholders of the Company		**(176,013)**	–
Dividends paid to minority shareholders of subsidiaries		**(49,264)**	(44,144)
Net cash generated from/(used in) financing activities		**190,899**	(299,032)
Net increase/(decrease) in cash and cash equivalents		**406,598**	(504,902)
Cash and cash equivalents at beginning of year		**594,687**	1,099,589
Cash and cash equivalents at end of year	*21(a)*	**1,001,285**	594,687

The notes on pages 76 to 176 are an integral part of these consolidated financial statements.

On behalf of the board

ZHENG Yongen
Director

FANG Yao
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (together the "Group") is principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying), building materials manufacturing, processing and selling, trading of industrial products, and investment holding.

The Company was established in the People's Republic of China (the "PRC") on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC and was transformed into a joint stock limited company on 3 March 2005. The Company's H-shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board") since 19 December 2005.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 18 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The HKICPA has issued certain new or revised HKFRSs and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2007, details of which are as below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Standards, amendments and interpretations to existing standards which are effective in 2007 and adopted by the Group

In 2007, the Group adopted HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" which are relevant to its operations. HKAS 1 (Amendment) and HKFRS 7 introduce new disclosures relating to capital management and financial instruments respectively. These standards do not have any impact on the classification and valuation of the Group's financial instruments.

The HKICPA has issued other standards, interpretations and amendments to existing standards which are mandatory for the Group's accounting periods on or after 1 January 2007. The adoption of these interpretations and amendments in the current year did not result in any significant changes to the Group's accounting policies and presentation of the consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and have not been early adopted by the Group

HKICPA has issued the following new or revised standards and interpretations to existing standards which are not yet effective for the year ended 31 December 2007 and the Group has not early adopted these new or revised standards and interpretations:

	Effective for accounting periods beginning on or after
HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations"	1 January 2009
HKFRS 3 (Revised) "Business Combination"	1 July 2009
HKFRS 8 "Operating Segments"	1 January 2009
HKAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
HKAS 23 (Revised) "Borrowing costs"	1 January 2009
HKAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
HK(IFRIC) – Int 11 "HKFRS 2 – Group and Treasury Share Transactions"	1 March 2007
HK(IFRIC) – Int 12 "Service Concession Arrangements"	1 January 2008
HK(IFRIC) – Int 13 "Customer Loyalty Programmes"	1 July 2008
HK(IFRIC) – Int 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 March 2007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) *Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and have not been early adopted by the Group* (Continued)

(i) HKFRS 2 Amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(ii) HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly.

(iii) HKFRS 8 requires the use of a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Hence, reportable segments should be those components of an entity which are regularly reviewed by an entity's chief operating decision-maker.

(iv) HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

(v) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

(vi) HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and have not been early adopted by the Group (Continued)

(vii) HK(IFRIC)-Int 11 clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.

(viii) HK(IFRIC)-Int 12 applies to companies which have contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

(ix) HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products) or under any customer loyalty programme, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

(x) HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 "Employee Benefits" on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The Group will apply the above standards, amendments or interpretations from 1 January 2008 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the control ceases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) *Subsidiaries* (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries not under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) *Associates* (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) *Jointly controlled entities*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group's purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

Accounting policies of subsidiaries, jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting segment, and the geographical segments as the secondary reporting segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the cost to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

– Buildings	10 to 50 years
– Port infrastructure	40 to 50 years
– Storage infrastructure	25 years
– Loading machineries	8 to 25 years
– Other machineries	6 to 12 years
– Vessels	5 to 18 years
– Vehicles	5 to 8 years
– Furniture, fittings and equipment	5 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other gains – net in the income statement.

2.6 Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over a period of 50 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Port line use rights

Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the port lines for periods of 50 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful lives of 5 years on a straight-line basis.

2.8 Impairment of assets

Assets that have an indefinite useful life or have not yet available for use are not subject to depreciation or amortisation, and are tested at least annually for impairment or are reviewed for impairment whenever event or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/jointly controlled entities/associates at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as accounts and other receivables, except for those with maturities greater than 12 months after the balance sheet date which will then be classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains – net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Gains or losses arising from changes in fair value of the available-for-sale financial assets are recognised directly in equity. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where fair value of unquoted investments cannot be measured reliably, the related investments are stated in the balance sheet at cost less impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts receivable is described in Note 2.13.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments which do not qualify for hedge accounting are accounted for as financial assets/liabilities at fair value through profit or loss. Changes in the fair values of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other gains – net.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses.

2.13 Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When an accounts receivable is uncollectible, it is written off against the provision account for accounts receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term and highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed as incurred.

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Early retirement benefits

Early retirement benefits are recognised as expense in the period the Group reaches agreements with the relevant employees for the early retirement.

(d) Housing benefits

Full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on the straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Recognition of revenue and income

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services net of rebates, discounts, returns, and value-added tax and after eliminated sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group recognises revenue and income on the following bases:

(a) Revenue from container loading and unloading and storage

Revenue from container loading and unloading is recognised when the services are rendered. Revenue from container storage is recognised on a straight-line basis over the period of storage.

(b) Revenue from bulk/general cargo loading and unloading

Revenue from bulk/general cargo loading and unloading is recognised when the services are rendered.

(c) Revenue from ancillary value-added port services

Revenue from ancillary value-added port services is recognised when the services are rendered.

(d) Revenue from sales of building materials and other industrial products

Sales of building materials and other industrial products are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

(g) Rental income

Rental income on assets leased out under operating leases is recognised on the straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

2.26 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's term deposits, cash and bank balances, accounts receivable, accounts payable and borrowings as at 31 December 2007 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD") and Hong Kong Dollars ("HKD")) (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 19, 21, 15, 22 and 25 respectively.

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2007, if RMB had weakened/strengthened by 5% against the USD and HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB6,879,000 lower/higher (2006: RMB1,816,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of Non-functional Currency Financial Assets/Liabilities.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets other than bank balances and cash. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2007, approximately 65% (2006: 67%) of the Group's borrowings were at fixed rates. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 25.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk (Continued)

To mitigate the impact of interest rate fluctuations, management closely monitors the Group's exposure to interest rate risk. Management use interest rate swap contracts to mitigate a portion of the interest rate risk despite these interest rate swap contracts do not qualify for hedge accounting (Note 18).

At 31 December 2007, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB1,388,000 (2006: RMB1,513,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

(c) Price risk

The Group is exposed to equity securities price risk because the Group holds certain investments which are classified on the balance sheet as available-for-sale financial assets or at fair value through profit or loss (Notes 11 and 17). The Group currently does not have a policy in respect of investment portfolio diversification. Management closely monitors the price risk exposure and will make appropriate investment decisions by reference to the movement trend of recent market prices, expected future returns and all other relevant factors.

As at 31 December 2007, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of available-for-sale financial assets and financial assets at fair value through profit or loss would have been RMB16,507,000 (2006: RMB3,435,000) higher/lower in aggregate and the Group's pre-tax profit and total equity would have been increased/decreased by RMB409,000 (2006: Nil) and RMB16,098,000 (2006: RMB3,435,000) respectively.

Approximately 92% of the Group's investments in available-for-sale financial assets and other financial assets at fair value through profit or loss as at 31 December 2007 are listed equity securities but with lock-up conditions under which the Group cannot trade those securities for a lock-up period of one year (Note 11). Management estimates the fair value of these listed equity securities with lock-up conditions by reference to the current bid prices of respective securities with the deduction of a tradability discount ranging from 5% to 11%. Management considers that the remaining unlisted investments will not expose the Group to any significant price risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk

The Group's maximum exposure to credit risk in respect of financial assets is the unimpaired carrying amounts of term deposits, cash and cash equivalents, restricted cash, accounts receivables and other receivables as at the balance sheet date. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

For term deposits, cash and cash equivalents and restricted cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks.

In respect of accounts receivable, the Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables. Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management and utilisation of these credit limits is regularly monitored. Generally, accounts receivable are due within 60 days from the date of billing. The Group has no significant concentration of credit risk as no single customer accounted for greater than 10% of the total accounts receivable as at 31 December 2007 and the total revenue for the year then ended.

As at 31 December 2007, the Group has made advances to suppliers of RMB406,363,000 (2006: RMB141,319,000) mainly in respect of the Group's purchases of finished goods and raw materials for its building materials and industrial products trading businesses.

No other financial assets carry a significant exposure to credit risk.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's and the Company's 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 31 December 2007				
Borrowings	**514,898**	**111,670**	**294,883**	**295,447**
Accounts and notes payable	**986,099**	**–**	**–**	**–**
Other payables and accruals	**379,343**	**–**	**–**	**–**
Derivative financial instrument	**–**	**–**	**4,483**	**–**
	1,880,340	**111,670**	**299,366**	**295,447**
At 31 December 2006				
Borrowings	40,288	140,335	109,700	513,308
Accounts and notes payable	634,940	–	–	–
Other payables and accruals	264,798	–	–	–
	940,026	140,335	109,700	513,308

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	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
Company				
At 31 December 2007				
Borrowings	**135,350**	**32,857**	**279,586**	**265,296**
Accounts payable	**11,766**	**–**	**–**	**–**
Other payables and accruals	**177,586**	**–**	**–**	**–**
Derivative financial instrument	**–**	**–**	**4,483**	**–**
	324,702	**32,857**	**284,069**	**265,296**
At 31 December 2006				
Borrowings	35,731	135,866	91,560	477,899
Accounts payable	2,734	–	–	–
Other payables and accruals	48,487	–	–	–
	86,952	135,866	91,560	477,899

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a low gearing ratio. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
	RMB'000	RMB'000
Total borrowings *(Note 25)*	**1,007,227**	597,252
Less: Cash and cash equivalents *(Note 21)*	**(1,001,285)**	(594,687)
Net debt	**5,942**	2,565
Total equity	**4,482,960**	4,117,771
Total capital	**4,488,902**	4,120,336
Gearing ratio (%)	**0.13%**	0.06%

The slight increase in the gearing ratio in 2007 primarily resulted from new bank borrowings for financing the working capital requirements of the industrial products trading business, the transaction volume of which has increased significantly in 2007.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date and where appropriate, taking into account any other relevant factors (such as trading restrictions and lock-up period etc). The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of receivable and payable balances are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

If the useful lives of property, plant and equipment differ by 10% from management's estimates, the Group would need to:

– increase the property, plant and equipment and decrease depreciation charge by RMB17,574,000, if favourable; or

– decrease the property, plant and equipment and increase depreciation charge by RMB14,379,000, if unfavourable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

4.2 Deferred income tax assets

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management will revise the assumptions and profit projections by each balance sheet date.

4.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations by each balance sheet date.

Were the actual selling price of inventories differs from management's estimates by 5%, the Group would need to decrease the inventories and increase provision for impairment of inventories (as included in general and administrative expenses) by RMB9,507,000, if unfavourable.

4.4 Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including the receivable in connection with the pending litigation as set out in Note 43). This estimate is based on the credit history and financial position of the debtors and all other relevant factors. Management will reassess the provision by each balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vessels	Vehicles	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006										
Cost	241,638	767,207	131,670	997,376	119,329	195,881	129,746	89,327	918,337	3,590,511
Accumulated depreciation	(44,572)	(146,067)	(44,376)	(300,762)	(60,637)	(75,386)	(72,692)	(58,962)	–	(803,454)
Accumulated impairment losses	–	(255)	–	(76)	–	–	(237)	–	–	(568)
Net book amount	197,066	620,885	87,294	696,538	58,692	120,495	56,817	30,365	918,337	2,786,489
Year ended 31 December 2006										
Opening net book amount	197,066	620,885	87,294	696,538	58,692	120,495	56,817	30,365	918,337	2,786,489
Additions	945	5,895	–	40,521	5,494	225	10,547	12,759	283,383	359,769
Transfer	848	143,126	–	278,865	12,018	52,680	21,432	14,378	(523,347)	–
Disposals	(178)	–	–	(238)	(348)	–	(581)	(70)	–	(1,415)
Depreciation	(9,331)	(24,226)	(6,839)	(50,187)	(12,578)	(8,715)	(12,352)	(12,926)	–	(137,154)
Closing net book amount	189,350	745,680	80,455	965,499	63,278	164,685	75,863	44,506	678,373	3,007,689
At 31 December 2006										
Cost	243,032	916,228	131,670	1,311,997	136,414	248,786	157,108	114,172	678,373	3,937,780
Accumulated depreciation	(53,682)	(170,293)	(51,215)	(346,422)	(73,136)	(84,101)	(81,008)	(69,666)	–	(929,523)
Accumulated impairment losses	–	(255)	–	(76)	–	–	(237)	–	–	(568)
Net book amount	189,350	745,680	80,455	965,499	63,278	164,685	75,863	44,506	678,373	3,007,689

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vessels	Vehicles	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007										
Opening net book amount	189,350	745,680	80,455	965,499	63,278	164,685	75,863	44,506	678,373	3,007,689
Additions	4,719	107	927	15,803	5,824	–	18,325	18,775	326,123	390,603
Transfer	39,125	105,830	53,708	213,484	3,819	1,232	3,339	8,470	(429,007)	–
Disposals	(147)	(15,921)	(29)	(98)	(515)	–	(72)	(198)	–	(16,980)
Depreciation	(10,187)	(24,563)	(7,151)	(66,225)	(12,841)	(8,754)	(14,221)	(15,127)	–	(159,069)
Closing net book amount	222,860	811,133	127,910	1,128,463	59,565	157,163	83,234	56,426	575,489	3,222,243
At 31 December 2007										
Cost	286,671	1,006,244	186,087	1,539,275	145,248	250,018	175,380	135,642	575,489	4,300,054
Accumulated depreciation	(63,811)	(194,856)	(58,177)	(410,736)	(85,683)	(92,855)	(91,909)	(79,216)	–	(1,077,243)
Accumulated impairment losses	–	(255)	–	(76)	–	–	(237)	–	–	(568)
Net book amount	222,860	811,133	127,910	1,128,463	59,565	157,163	83,234	56,426	575,489	3,222,243

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006									
Cost	17,094	458,817	44,521	230,019	23,337	–	2,955	803,297	1,580,040
Accumulated depreciation	(3,316)	(66,009)	(9,794)	(41,974)	(11,660)	–	(1,471)	–	(134,224)
Net book amount	13,778	392,808	34,727	188,045	11,677	–	1,484	803,297	1,445,816
Year ended 31 December 2006									
Opening net book amount	13,778	392,808	34,727	188,045	11,677	–	1,484	803,297	1,445,816
Additions	–	–	–	–	–	–	674	173,967	174,641
Transfer	–	137,967	–	265,629	2,086	16,922	12,911	(435,515)	–
Depreciation	(552)	(10,687)	(1,727)	(13,956)	(3,232)	(712)	(2,063)	–	(32,929)
Closing net book amount	13,226	520,088	33,000	439,718	10,531	16,210	13,006	541,749	1,587,528
At 31 December 2006									
Cost	17,094	596,784	44,521	495,648	25,423	16,922	16,540	541,749	1,754,681
Accumulated depreciation	(3,868)	(76,696)	(11,521)	(55,930)	(14,892)	(712)	(3,534)	–	(167,153)
Net book amount	13,226	520,088	33,000	439,718	10,531	16,210	13,006	541,749	1,587,528

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company (Continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2007									
Opening net book amount	13,226	520,088	33,000	439,718	10,531	16,210	13,006	541,749	1,587,528
Additions	639	10,169	13,656	8,032	1,713	–	3,582	242,158	279,949
Transfer	–	105,750	–	151,165	–	–	–	(256,915)	–
Non-monetary contribution for the establishment of a jointly controlled entity	–	(32,493)	–	–	–	–	–	–	(32,493)
Depreciation	(562)	(15,982)	(2,246)	(19,782)	(3,435)	(712)	(2,688)	–	(45,407)
Closing net book amount	13,303	587,532	44,410	579,133	8,809	15,498	13,900	526,992	1,789,577
At 31 December 2007									
Cost	17,733	680,210	58,177	654,845	27,136	16,922	20,122	526,992	2,002,137
Accumulated depreciation	(4,430)	(92,678)	(13,767)	(75,712)	(18,327)	(1,424)	(6,222)	–	(212,560)
Net book amount	13,303	587,532	44,410	579,133	8,809	15,498	13,900	526,992	1,789,577

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. LAND USE RIGHTS

(a) The Group

	RMB'000
At 1 January 2006	
Cost	903,474
Accumulated amortisation	(53,785)
Net book amount	849,689
Year ended 31 December 2006	
Opening net book amount	849,689
Additions	58,720
Amortisation charge	(18,616)
Closing net book amount	889,793
At 31 December 2006	
Cost	962,194
Accumulated amortisation	(72,401)
Net book amount	889,793
Year ended 31 December 2007	
Opening net book amount	889,793
Additions	170,778
Amortisation charge	(22,654)
Closing net book amount	1,037,917
At 31 December 2007	
Cost	1,132,972
Accumulated amortisation	(95,055)
Net book amount	1,037,917

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. LAND USE RIGHTS (Continued)

(b) The Company

	RMB'000
At 1 January 2006	
Cost	443,686
Accumulated amortisation	(28,027)
Net book amount	415,659
Year ended 31 December 2006	
Opening net book amount	415,659
Additions	58,720
Amortisation charge	(9,262)
Closing net book amount	465,117
At 31 December 2006	
Cost	502,406
Accumulated amortisation	(37,289)
Net book amount	465,117
Year ended 31 December 2007	
Opening net book amount	465,117
Additions	1,576
Amortisation charge	(9,861)
Closing net book amount	456,832
At 31 December 2007	
Cost	503,982
Accumulated amortisation	(47,150)
Net book amount	456,832

The Group's and the Company's interests in land use rights in the PRC are held on leases of 50 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

7. INTANGIBLE ASSETS – THE GROUP

The intangible assets of the Group represent port line use rights and computer software. Port line use rights represent the acquisition costs of rights on using the port line by Xiamen International Container Terminals Ltd. ("XICT"), a jointly controlled entity of the Group, and are amortised on a straight-line basis over 50 years. Computer software represents acquisition costs of (i) computer software licences and (ii) electronic data interchange system used by the Group and is amortised on a straight-line basis over 5 years. Movement in intangible assets is set out as follow:

	Port line use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2006			
Cost	30,804	2,253	33,057
Accumulated amortisation	(5,055)	(1,243)	(6,298)
Net book amount	25,749	1,010	26,759
Year ended 31 December 2006			
Opening net book amount	25,749	1,010	26,759
Additions	–	346	346
Amortisation charge	(618)	(471)	(1,089)
Closing net book amount	25,131	885	26,016
At 31 December 2006			
Cost	30,804	2,599	33,403
Accumulated amortisation	(5,673)	(1,714)	(7,387)
Net book amount	25,131	885	26,016
Year ended 31 December 2007			
Opening net book amount	25,131	885	26,016
Additions	–	10,430	10,430
Amortisation charge	(618)	(2,345)	(2,963)
Closing net book amount	24,513	8,970	33,483
At 31 December 2007			
Cost	30,804	13,029	43,833
Accumulated amortisation	(6,291)	(4,059)	(10,350)
Net book amount	24,513	8,970	33,483

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

8. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Investments, at cost		
– Shares of a listed company *(a)*	**1,127,274**	1,127,274
– Unlisted equity investments	**275,359**	275,359
	1,402,633	1,402,633
Market value of shares of a listed company *(b)*	**2,774,948**	2,177,807

(a) This represents the Company's investment in Xiamen Port Development Co., Ltd. ("XPD"), shares of which are listed on the Shenzhen Stock Exchange. On 12 October 2006, XPD implemented its share conversion scheme which was completed on 18 October 2006. Upon the completion of the share conversion scheme, the non-publicly tradable shares of XPD held by the Company became restricted A Shares in the Shenzhen Stock Exchange (Note 42(a)(vii)), which would not be traded on the Shenzhen Stock Exchange within 60 months from the first trading day subsequent to the implementation of the share conversion scheme (the "Lock-up period"). The Lock-up period will be expired on 17 October 2011.

(b) The market value stated above is determined by reference to the market price of RMB9.48 per share for the listed shares of XPD as at 31 December 2007. However, this may not be strictly comparable to actual value of the Company's investments in XPD as they are not freely tradable during the Lock-up period.

(c) Particulars of the Company's subsidiaries are set out in Note 44(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) The Group

The Group's investment costs in the unlisted shares of its jointly controlled entities amounted to RMB665,287,000 (2006: RMB588,337,000) as at 31 December 2007.

The Group's share of assets and liabilities, revenues and results of jointly controlled entities which has been included in the Group's consolidated balance sheet and consolidated income statement by proportionate consolidation are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Assets:		
Non-current assets	**672,095**	613,196
Current assets	**161,937**	125,342
	834,032	738,538
Liabilities:		
Current liabilities	**(139,001)**	(49,924)
Net assets	**695,031**	688,614

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Revenues	**184,121**	184,103
Expenses	**(91,191)**	(94,309)
Profit before income tax	**92,930**	89,794
Income tax expense	**(7,073)**	(7,421)
Profit for the year	**85,857**	82,373

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

(a) The Group (Continued)

As at 31 December 2006, the Group had interests in two jointly controlled entities. They are XICT, a joint venture established in the PRC in which the Group holds 51% equity interests but without unilateral control and Xiamen Gangtong Logistic Co., Ltd., a joint venture established in the PRC in which the Group holds 50% equity interests. In 2007, the Group had also invested in Xiamen Haicang International Container Terminals Ltd. ("XHICT"), a joint venture established in the PRC in which the Group holds 51% equity interests but without unilateral control.

There are no contingent liabilities relating to the Group's interest in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves.

Particulars of the Group's jointly controlled entities are set out in Note 44(b).

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost	**80,265**	3,315

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For the year ended 31 December 2007

10. INTERESTS IN ASSOCIATES – THE GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Share of net assets	**35,333**	44,925
Investments, at cost		
Unlisted shares	**23,270**	29,125

Movements of investments in associates are as follows:

	2007	2006
	RMB'000	RMB'000
As at 1 January	**44,925**	48,031
Additions	**–**	600
Transfer to available-for-sale financial assets upon the partial disposal of an associate	**–**	(2,640)
Disposal	**(11,646)**	(5,339)
Dividends received	**(2,417)**	(2,107)
Share of results before income tax	**5,537**	7,716
Share of income tax	**(1,066)**	(1,336)
	4,471	6,380
As at 31 December	**35,333**	44,925

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

10. INTERESTS IN ASSOCIATES – THE GROUP (Continued)

The summary of the financial information of the Group's interests in associates in aggregate is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Total assets	**38,080**	69,428
Total liabilities	**2,747**	24,503

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Revenues	**36,724**	52,337
Profit for the year	**4,471**	6,380

The particulars of the Group's associates are set out in Note 44(c).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
As at 1 January	**44,812**	26,154
Transfer from investment in an associate	**–**	2,640
Fair value gains transferred to equity	**120,630**	77,361
Disposals	**–**	(61,343)
As at 31 December	**165,442**	44,812

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11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(a) The Group (Continued)

Available-for-sale financial assets include the following:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Listed equity investments, at fair value *(i)*	**160,986**	40,356
Unlisted equity investments, at cost *(ii)*	**9,456**	9,456
Less: provision for impairment	**(5,000)**	(5,000)
	165,442	44,812

(i) The Group held 6,600,000 (2006: 6,600,000) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") which is listed on the Shenzhen Stock Exchange since 26 January 2007. In addition, the Group also held 3,400,000 (2006: 3,400,000) shares of Bank of Communications Co., Ltd. (the "BOC Shares"), which is listed on the Shanghai Stock Exchange since 15 May 2007.

The Sansteel Shares and BOC Shares held by the Group have a lock-up period of approximately one year after the listing of those shares and cannot be traded on the respective stock exchanges before 28 January 2008 and 15 May 2008 respectively.

Prior to the listings of the Sansteel Shares and BOC Shares (the "Listing"), the investments are stated at their fair value as determined by the directors by using valuation techniques. Subsequent to the Listing, the fair values of these investments are determined by reference to the closing market prices of respective shares at the balance sheet date and taking into account the tradability discounts ranging from 5% to 11%.

(ii) The directors have considered that the range of reasonable estimates on the fair value of these unquoted investments is significant and the probabilities of the various estimates cannot be reasonably assessed, these investments therefore remain to be stated at cost less provision for impairment losses.

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11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(b) The Company

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
As at 1 January	**40,356**	16,090
Fair value gains transferred to equity	**120,630**	24,266
As at 31 December	**160,986**	40,356

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Listed equity investments, at fair value *(Note 11(a)(i))*	**160,986**	40,356
Unlisted equity investments, at cost *(Note 11(a)(ii))*	**5,000**	5,000
Less: provision for impairment	**(5,000)**	(5,000)
	160,986	40,356

12. LONG-TERM BANK DEPOSITS – THE GROUP

The balance as at 31 December 2007 represents the long-term bank deposits at floating interest rates with maturity in June 2012, while the balance as at 31 December 2006 represented the long-term bank deposits at fixed interest rates. The carrying amounts of the long-term bank deposits as at 31 December 2007 approximate their fair values. The weighted average effective interest rate is 5.66% (2006: 5.48%) per annum.

The maximum exposure to credit risk in respect of long-term bank deposits at the reporting date is the carrying amounts of the related deposits.

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13. DEFERRED INCOME TAX

(a) The Group

Movements in deferred income tax assets and liabilities during the year are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets		
As at 1 January	**32,126**	33,398
Credited/(charged) to		
consolidated income statement	**5,988**	(1,272)
Credited to equity	**12,503**	–
As at 31 December	**50,617**	32,126
To be recovered:		
Within 12 months	**1,054**	878
After more than 12 months	**49,563**	31,248
	50,617	32,126
Deferred income tax liabilities		
As at 1 January	**7,147**	3,270
Charged to:		
– consolidated income statement	**53**	237
– equity	**34,234**	3,640
As at 31 December	**41,434**	7,147
To be settled:		
Within 12 months	**997**	221
After more than 12 months	**40,437**	6,926
	41,434	7,147

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For the year ended 31 December 2007

13. DEFERRED INCOME TAX (Continued)

(a) The Group (Continued)

The principal components of deferred income tax assets and liabilities provided for, prior to offsetting of balances within the same tax jurisdiction, are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets		
Revaluation surplus in connection with asset swap with XPD *(i)*	**32,382**	20,582
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity *(ii)*	**11,357**	7,105
Provision for impairment of receivables	**5,045**	3,513
Provision for impairment of investments in available-for-sale financial assets	**625**	750
Fair value loss on derivative financial instrument	**560**	–
Pre-operating expenses	**441**	–
Provision for impairment of inventories	**105**	91
Provision for impairment of property, plant and equipment	**102**	85
	50,617	32,126

(i) The balance represents the deferred income tax assets resulting from revaluation surplus in connection with certain assets swapped from XPD (the "Assets") for the purpose of the Company's initial public offering of its shares in 2005. The revaluation surplus amounted to RMB148,531,000 which form the base for calculating the future taxable profits. However, the accounting base of the Assets under HKFRS has not been adjusted for such surplus, deferred income tax assets have been recognised accordingly.

The deferred income tax assets as at the balance sheet date represented the amount of income taxes recoverable in future periods in connection with the unamortised portion of the aforesaid revaluation surplus as of that date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

13. DEFERRED INCOME TAX (Continued)

(a) The Group (Continued)

(ii) In 2002, Xiamen Haicang Port Co., Ltd. ("XHPC"), a subsidiary of the Company, transferred certain property, plant and equipment at a gain to XICT, an equity joint venture established in the PRC in which XHPC holds 51% equity interests. An unrealised gain attributable to the Group amounting to RMB57,315,000 was taxable immediately at the time of transfer of the aforesaid property, plant and equipment under the relevant PRC tax rules. As the unrealised gain would be realised on the straight-line basis over the useful lives of the related property, plant and equipment for accounting purposes, deferred income tax assets were recognised for the related temporary differences.

The deferred income tax assets as at balance sheet date represented the amount of income taxes recoverable in future periods in connection with the unrealised portion of the aforesaid unrealised gain as of that date.

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax liabilities		
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal")	**4,478**	3,049
Fair value gain on available-for-sale financial assets	**36,224**	3,640
Fair value gain on other financial assets through profit or loss	**732**	–
Fair value gain on derivative financial instrument	**–**	458
	41,434	7,147

Increase of deferred income tax assets and deferred income tax liabilities by RMB17,560,000 and RMB4,077,000 respectively were attributable to the change in applicable corporate income tax rate resulted from the new Corporate Income Tax Law (Note 34(a)).

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13. DEFERRED INCOME TAX (Continued)

(b) The Company

The movements in deferred income tax assets and liabilities during the year are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets		
As at 1 January	**750**	1,100
Credited/(charged) to income statement	**435**	(350)
As at 31 December	**1,185**	750

Deferred income tax assets at each balance sheet date are expected to be recovered after more than 12 months.

Deferred income tax liabilities		
As at 1 January	**4,098**	–
(Credited)/charged to income statement	**(458)**	458
Charged to equity	**32,584**	3,640
As at 31 December	**36,224**	4,098

Deferred income tax liabilities at each balance sheet date are expected to be recovered after more than 12 months.

Notes to the Consolidated Financial Statements

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13. DEFERRED INCOME TAX (Continued)

(b) The Company (Continued)

The principal components of deferred income tax assets and liabilities provided for, prior to offsetting of balances, are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets		
Provision for impairment of available-for-sale financial assets	**625**	750
Fair value loss on derivative financial instrument	**560**	–
	1,185	750
Deferred income tax liabilities		
Fair value gain on available-for-sale financial assets	**36,224**	3,640
Fair value gain on derivative financial instrument	**–**	458
	36,224	4,098

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

14. INVENTORIES

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Raw materials	**4,223**	7,399
Finished goods and merchandise	**360,519**	79,322
Spare parts and consumables	**38,865**	31,952
	403,607	118,673
Less: provision for impairment	**(582)**	(608)
	403,025	118,065

The raw materials primarily comprise of stones used for building materials production. Finished goods and merchandise primarily represent concrete and steels. The spare parts and consumables are mainly for repair and maintenance of port facilities and other equipments.

The cost of inventories recognised as expense and included in cost of sales and operating expenses amounted to RMB1,549,519,000 (2006: RMB513,679,000) in aggregate.

(b) The Company

The inventories of the Company as at 31 December 2007 represent spare parts and consumables which are stated at cost.

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15. ACCOUNTS AND NOTES RECEIVABLE

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Accounts receivable	**507,906**	387,199
Less: provision for impairment	**(15,499)**	(13,122)
	492,407	374,077
Due from fellow subsidiaries *(Note 42(b))*	**2,211**	3,392
Notes receivable	**51,939**	70,873
	546,557	448,342

There is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

Majority of the Group's revenues is on open account terms and in accordance with the terms specified in the contracts governing the relevant transactions. A credit period, which may be extended for up to six months, may be granted to large or long-established customers with good repayment history. Revenues from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Less than 6 months	**503,797**	401,645
6 months to 1 year	**19,960**	24,267
1 year to 2 years	**20,068**	19,443
2 years to 3 years	**5,239**	7,821
Over 3 years	**12,992**	8,288
	562,056	461,464
Less: provision for impairment	**(15,499)**	(13,122)
	546,557	448,342

Notes to the Consolidated Financial Statements

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15. ACCOUNTS AND NOTES RECEIVABLE (Continued)

(a) The Group (Continued)

Notes receivable are notes of exchange with average maturity dates of within 6 months.

The carrying amounts of accounts and notes receivable approximate their fair values.

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Generally, trade receivables that are less than 6 months past due are not considered impaired. As of 31 December 2007, accounts receivable of RMB42,760,000 (2006: RMB46,697,000) were past due but not impaired.

As of 31 December 2007, accounts receivable of RMB15,499,000 (2006: RMB13,122,000) were impaired and provision for impairment has been made. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Less than 6 months	**1,728**	1,907
6 months to 1 year	**387**	410
1 year to 2 years	**2,007**	1,944
2 years to 3 years	**2,635**	1,724
Over 3 years	**8,742**	7,137
	15,499	13,122

The carrying amounts of the Group's accounts and notes receivable are denominated in the following currencies:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
RMB	**453,480**	373,326
USD	**93,077**	75,016
	546,557	448,342

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

15. ACCOUNTS AND NOTES RECEIVABLE (Continued)

(a) The Group (Continued)

Movements on the provision for impairment of accounts receivables are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
As at 1 January	**13,122**	13,425
Provision for receivable impairment	**6,362**	1,259
Uncollectible receivables written off during the year	**(3,547)**	(542)
Collection of debtors impaired previously	**(438)**	(1,020)
As at 31 December	**15,499**	13,122

The net effect of the creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement (Note 32). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's maximum exposure to credit risk in respect of accounts and notes receivable at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Accounts receivable	**55,284**	26,134

The carrying amounts of the Company's accounts receivable are denominated in RMB and the ageing of which is less than six months. None of the Company's accounts receivable is either past due or impaired.

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16. OTHER RECEIVABLES AND PREPAYMENTS

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Other receivables	**73,789**	31,038
Less: provision for impairment	**(12,950)**	(10,297)
	60,839	20,741
Due from parent company *(Note 42(b))*	**307**	104
Due from fellow subsidiaries *(Note 42(b))*	**1,023**	–
Advances to suppliers	**406,363**	141,319
Prepayments and deposits	**403**	6,826
	468,935	168,990

The amounts due from the parent company and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The Group's other receivables and prepayments are denominated in RMB and the carrying amounts of which approximate their fair values.

Movements on the provision for impairment of other receivables are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
As at 1 January	**10,297**	9,999
Provision for receivable impairment (i)	**7,453**	840
Uncollectible receivables written off during the year	**(3,252)**	–
Collection of debtors impaired previously	**(1,548)**	(542)
As at 31 December	**12,950**	10,297

(i) As of 31 December 2007, an impairment provision of RMB6,200,000 was made for the receivable in connection with the pending litigation as set out in Note 43.

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16. OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) The Group (Continued)

The net effect of the creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement (Note 32). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Other receivables	**7,885**	586
Due from subsidiaries	**7,954**	34,254
Dividends receivable	**29,272**	–
	45,111	34,840

None of the receivable balances as mentioned above is either past due or impaired.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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17. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Equity securities listed in the PRC	**8,931**	–

Other financial assets at fair value through profit or loss are presented within operating activities in the consolidated cash flow statement.

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other gains – net in the consolidated income statement (Note 30).

The equity securities are stated at fair value which is determined based on their current bid prices in an active market.

18. DERIVATIVE FINANCIAL INSTRUMENT – THE GROUP AND THE COMPANY

	As at 31 December			
	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Interest rate swap contract	**–**	**4,483**	3,053	–

As at 31 December 2007 and 2006, the Company had an outstanding interest rate swap contract with a financial institution under which the Company agreed to swap the floating rate at LIBOR with the fixed rate of 5.2% per annum.

The notional principal amounts of the outstanding interest rate swap contract at 31 December 2007 amounted to USD12,503,000 (2006: USD12,694,000), equivalent to approximately RMB91,329,000 (2006: RMB99,122,000).

This derivative financial instrument does not qualify for hedge accounting.

Notes to the Consolidated Financial Statements

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19. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Term deposits denominated in:		
RMB	**72,136**	321,059
USD	**21,914**	98,659
	94,050	419,718

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.87% (2006: 2.59%) per annum.

The maximum exposure to credit risk in respect of term deposits with initial term of over three months at the reporting date is the carrying amounts of the related deposits.

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Term deposits denominated in RMB	**20,000**	230,000

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.87% (2006: 2.25%) per annum.

20. RESTRICTED CASH – THE GROUP AND THE COMPANY

The restricted cash was held in designated bank accounts under the names of the Company and certain subsidiaries of the Group for the maintenance of staff quarters and as guarantee deposits for note payables.

The maximum exposure to credit risk in respect of restricted cash at the reporting date is the carrying amount of the restricted cash balance.

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21. CASH AND CASH EQUIVALENTS

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Cash at bank and in hand	**662,804**	460,290
Short-term bank deposits	**432,531**	554,115
	1,095,335	1,014,405
Less: term deposits with initial term of over three months *(Note 19(a))*	**(94,050)**	(419,718)
Cash and cash equivalents	**1,001,285**	594,687
Maximum exposure to credit risk (net of cash in hand)	**1,001,123**	594,620
Denominated in:		
RMB	**911,066**	485,676
USD	**88,866**	102,943
HKD	**957**	4,413
EUR	**396**	1,655
	1,001,285	594,687

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 days to 90 days, was 2.75% (2006: 1.94%) per annum.

The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

Notes to the Consolidated Financial Statements

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21. CASH AND CASH EQUIVALENTS (Continued)

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Cash at bank and in hand	**106,475**	107,099
Short-term bank deposits	**233,359**	246,500
	339,834	353,599
Less: term deposits with initial term of over three months *(Note 19(b))*	**(20,000)**	(230,000)
Cash and cash equivalents	**319,834**	123,599
Maximum exposure to credit risk (net of cash in hand)	**319,821**	123,599
Denominated in:		
RMB	**319,103**	119,118
HKD	**726**	4,168
USD	**5**	313
	319,834	123,599

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22. ACCOUNTS AND NOTES PAYABLE

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Accounts payable	**442,647**	378,531
Due to fellow subsidiaries *(Note 42(b))*	**9,336**	5,524
Notes payable	**534,116**	250,885
	986,099	634,940

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 1 year	**984,426**	627,281
1 year to 2 years	**1,098**	6,126
2 years to 3 years	**–**	958
Over 3 years	**575**	575
	986,099	634,940

Notes payable are notes of exchange with average maturity dates of within 6 months. The amounts due to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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22. ACCOUNTS AND NOTES PAYABLE (Continued)

(a) The Group (Continued)

The carrying amounts of the Group's accounts and notes payable are denominated in the following currencies:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
RMB	**726,250**	408,910
USD	**259,849**	226,030
	986,099	634,940

The carrying amounts of the Group's accounts and notes payable approximate their fair values.

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Accounts payable	**11,766**	2,734

The Company's accounts payable are denominated in RMB and the ageing analysis of accounts payable of trading in nature at respective balance sheet dates is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 1 year	**10,128**	1,096
2 years to 3 years	**1,638**	1,638
	11,766	2,734

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23. OTHER PAYABLES AND ACCRUALS

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Due to parent company *(Note 42(b))*	**1,742**	183
Due to fellow subsidiaries *(Note 42(b))*	**5,273**	3,767
Due to other related parties *(Note 42(b))*	**19,685**	17,578
Payable for purchases of property, plant and equipment and construction-in-progress	**19,482**	23,982
Salary and welfare payables	**85,445**	90,602
Customer deposits	**153,821**	53,749
Accrued expenses	**11,942**	14,493
Other payables	**65,505**	60,404
Dividend payable		
– shareholders of the Company	**1,230**	40
– minority shareholders of subsidiaries *(Note 42(b))*	**15,218**	–
	379,343	264,798

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

The carrying amounts of the Group's other payables and accruals approximate their fair values.

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23. OTHER PAYABLES AND ACCRUALS (Continued)

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Due to parent company	**174**	183
Due to subsidiaries	**149,910**	24,557
Due to other related parties	**10,814**	–
Accrued expenses	**3,975**	7,743
Salary and welfare payables	**2,110**	6,019
Customer deposits	**–**	5,689
Other payables	**9,373**	4,256
Dividend payable	**1,230**	40
	177,586	48,487

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

24. DEFERRED GOVERNMENT GRANTS AND INCOME

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income on tax credit related to purchases of domestic equipment *(i)*	**36,374**	31,766
Government grants on purchases of property, plant and equipment *(ii)*	**117,383**	119,412
	153,757	151,178

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24. DEFERRED GOVERNMENT GRANTS AND INCOME (Continued)

(a) The Group (Continued)

(i) Before 2006, the Group purchased certain domestic manufactured equipment. Pursuant to Cai Shui Zi [1999] Document No. 290 "The Notice concerning the Reduction in Corporate Income Tax for Purchases of Domestic Manufactured Equipment" (the "Notice") issued by the Ministry of Finance and State Tax Bureau, part of such purchase costs could be utilised to reduce the income tax in future. The total tax credit available, as approved by the State Tax Bureau in Xiamen City for offsetting the future income tax subject to certain conditions stipulated in the Notice, amounted to RMB38,624,000. In 2007, the Group obtained additional tax credit of RMB7,407,000.

The tax credit available was deferred and credited to income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment. As at 31 December 2007, the remaining deferred tax credit amounted to RMB36,374,000 (2006: RMB31,766,000).

(ii) In year 2002, 2004 and 2005, the Company received government grants amounting to RMB52,570,000, RMB40,000,000 and RMB31,500,000 respectively in connection with the purchases of property, plant and equipment to further develop the ports at Xiamen. These grants were deferred and credited to income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment.

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Government grants on purchases of property, plant and equipment *(Note 24(a)(ii))*	**117,383**	119,412

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. BORROWINGS

(a) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unsecured		
Non-current		
Long-term bank borrowings	**545,070**	591,308
Current		
Short-term bank borrowings	**356,120**	–
Long-term bank borrowings – current portion	**106,037**	5,944
	462,157	5,944
Total borrowings	**1,007,227**	597,252
Representing:		
– unguaranteed	**917,370**	498,130
– guaranteed *(i)*	**89,857**	99,122
Total borrowings	**1,007,227**	597,252
Analysed as follows:		
– wholly repayable within five years	**706,120**	104,000
– not wholly repayable within five years	**301,107**	493,252
Total borrowings	**1,007,227**	597,252

(i) As at 31 December 2007, bank borrowing of RMB89,857,000 (2006: RMB99,122,000) is guaranteed by China Construction Bank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. BORROWINGS (Continued)

(a) The Group (Continued)

An analysis of the carrying amounts of the Group's borrowings by type and currency is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
RMB		
– at fixed rates	**651,250**	398,130
– at floating rates	**266,120**	100,000
	917,370	498,130
USD		
– at floating rates	**89,857**	99,122
Total borrowings	**1,007,227**	597,252

The weighted average effective interest rates at the respective balance sheet dates were as follows:

	As at 31 December	
	2007	2006
Bank borrowings		
– RMB	**6.03%**	5.33%
– USD	**5.97%**	5.65%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. BORROWINGS (Continued)

(a) The Group (Continued)

The maturities of the Group's total borrowings at respective balance sheet dates are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Bank borrowings repayable:		
– within one year	**462,157**	5,944
– in the second year	**76,358**	106,255
– in the third to fifth year	**204,732**	26,659
– after the fifth year	**263,980**	458,394
	1,007,227	597,252

The carrying amounts of short-term bank borrowings and current portion of long-term bank borrowings approximate their fair values.

The carrying amounts and fair value of non-current long-term bank borrowings are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Carrying amounts	**545,070**	591,308
Fair value	**517,408**	574,814

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

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For the year ended 31 December 2007

25. BORROWINGS (Continued)

(b) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unsecured		
Non-current		
Long-term bank borrowings	**432,830**	542,188
Current		
Long-term bank borrowings – current portion	**103,157**	3,064
Total borrowings	**535,987**	545,252
Representing:		
– unguaranteed	**446,130**	446,130
– guaranteed *(Note 25 (a)(i))*	**89,857**	99,122
	535,987	545,252
Analysed as follows:		
– wholly repayable within five years	**280,000**	100,000
– not wholly repayable within five years	**255,987**	445,252
Total borrowings	**535,987**	545,252

An analysis of the carrying amounts of the Company's total borrowings by type and currency is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
RMB		
– at fixed rates	**346,130**	346,130
– at floating rates	**100,000**	100,000
	446,130	446,130
USD		
– at floating rates	**89,857**	99,122
Total borrowings	**535,987**	545,252

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. BORROWINGS (Continued)

(b) The Company (Continued)

The weighted average effective interest rates at the respective balance sheet dates were as follows:

	As at 31 December	
	2007	2006
Bank borrowings		
– RMB	**6.10%**	5.58%
– USD	**5.97%**	5.65%

The maturities of Company's borrowings at the respective balance sheet dates are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Bank borrowings repayable:		
– within one year	**103,157**	3,064
– in the second year	**3,478**	103,375
– in the third to fifth year	**192,732**	12,339
– after the fifth year	**236,620**	426,474
	535,987	545,252

The carrying amounts and fair value of non-current long-term bank borrowings are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Carrying amounts	**432,830**	542,188
Fair value	**414,396**	533,369

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

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For the year ended 31 December 2007

26. EARLY RETIREMENT BENEFIT OBLIGATIONS – THE GROUP

Early retirement benefits are paid to employees who retire prior to reaching the standard retirement age. In addition, pursuant to the employment contracts signed between the Group and certain early retired employees, the Group is committed to make periodic benefit payments to these employees who are terminated or asked to retire early for the period from the date of the contract up to the date when the early retired employee reach the standard retirement age. In 2007 and 2006, the Group has not entered into any new early retirement contracts with its employees.

The movements of early retirement benefit obligations for the year ended 31 December 2006 and 2007 are as follows:

	RMB'000
As at 1 January 2006	9,181
Payment for the year	(1,847)
As at 31 December 2006	7,334
Payment for the year	(1,532)
As at 31 December 2007	5,802

The fair values of early retirement benefit obligations are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The balance as at 31 December 2007 is expected to be fully settled in 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

27. SHARE CAPITAL

	Domestic shares of RMB1 each	**H-shares of RMB1 each**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2006 *(a)*	1,751,200	858,000	2,609,200
Conversion of domestic shares to 11,700,000 H-shares *(b)*	(11,700)	11,700	–
Issuance of new H-shares *(b)*	–	117,000	117,000
At 31 December 2007 and 2006	1,739,500	986,700	2,726,200

(a) The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC.

On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to four additional equity holders, namely, Xiamen International Airport Group Co., Ltd., Xiamen Road & Bridge Construction Group Co., Ltd., Xiamen Seashine Group Co., Ltd. and Xiamen State-owned Assets Investment Corporation, at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HK$1.38 each.

(b) On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HK$1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. Xiamen Port Holding has transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), and NCSSF entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

(c) 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 Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by relevant PRC law from time to time.

Notes to the Consolidated Financial Statements

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28. RESERVES

(a) The Group

		Other reserves						
	Note	Capital surplus RMB'000	Statutory surplus reserve *(i)* RMB'000	Statutory public welfare fund *(ii)* RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2006		(502,011)	221,455	126,605	–	(153,951)	400,546	246,595
Fair value gain on available-for-sale financial assets								
– Gross		–	–	–	53,536	53,536	–	53,536
– Related deferred income tax		–	–	–	(8,030)	(8,030)	–	(8,030)
Release of reserve upon disposal of an available-for-sale financial assets								
– Gross		–	–	–	(29,270)	(29,270)	–	(29,270)
– Related deferred income tax		–	–	–	4,390	4,390	–	4,390
Profit for the year		–	–	–	–	–	280,985	280,985
Share premium arising from issuance of new H-shares		55,028	–	–	–	55,028	–	55,028
Share issuance costs		(17,790)	–	–	–	(17,790)	–	(17,790)
Profit appropriation	*(i)*	–	63,737	–	–	63,737	(63,737)	–
Transfer	*(ii)*	–	126,605	(126,605)	–	–	–	–
Balance at 31 December 2006		(464,773)	411,797	–	20,626	(32,350)	617,794	585,444
Representing:								
– 2006 proposed final dividend		–	–	–	–	–	177,203	177,203
– Others		(464,773)	411,797	–	20,626	(32,350)	440,591	408,241
		(464,773)	411,797	–	20,626	(32,350)	617,794	585,444
Fair value gain on available-for-sale financial assets								
– Gross		**–**	**–**	**–**	**120,630**	**120,630**	**–**	**120,630**
– Related deferred income tax		**–**	**–**	**–**	**(30,158)**	**(30,158)**	**–**	**(30,158)**
Impact of new CIT Law on deferred income tax recognised directly in equity		**5,243**	**–**	**–**	**(2,426)**	**2,817**	**–**	**2,817**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**374,417**	**374,417**
2006 final dividend		**–**	**–**	**–**	**–**	**–**	**(177,203)**	**(177,203)**
Profit appropriation	*(i)*	**–**	**25,892**	**–**	**–**	**25,892**	**(25,892)**	**–**
Adjustment to surplus reserve	*(iii)*	**–**	**(399,987)**	**–**	**–**	**(399,987)**	**399,987**	**–**
Balance at 31 December 2007		**(459,530)**	**37,702**	**–**	**108,672**	**(313,156)**	**1,189,103**	**875,947**
Representing:								
– 2007 proposed final dividend		**–**	**–**	**–**	**–**	**–**	**155,393**	**155,393**
– Others		**(459,530)**	**37,702**	**–**	**108,672**	**(313,156)**	**1,033,710**	**720,554**
		(459,530)	**37,702**	**–**	**108,672**	**(313,156)**	**1,189,103**	**875,947**

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For the year ended 31 December 2007

28. RESERVES (Continued)

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under the PRC Accounting Regulations to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's share capital after such issuance.

(ii) Companies registered in the PRC within the Group were required to set aside 5% to 10% of their statutory net profit for the year as determined under the PRC Accounting Regulations to the statutory public welfare fund. The statutory public welfare fund was to be utilised to build or acquire capital items, for the Company's employees and could not be used to pay off staff welfare expenses. Titles to these capital items remained with the companies.

In accordance with The Company Law of the PRC which was amended on 27 October 2005 and implemented on 1 January 2006, the Group is no longer required to set aside any statutory public welfare fund from year 2006 onwards. Accordingly, the Group had transferred the balance of statutory public welfare fund accumulated up to 1 January 2006 to the Group's statutory surplus reserve.

(iii) The Group adopted the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 (the "New PRC GAAP") since January 1, 2007. According to the relevant requirements under the New PRC GAAP, certain adjustments were made to the retained earnings and reserves in previous years upon first-time adoption. In addition, the New PRC GAAP no longer permits the Group's share of surplus reserves of subsidiaries to be presented on a consolidated basis, an adjustment on the surplus reserves and retained earnings was made in current year.

Notes to the Consolidated Financial Statements

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28. RESERVES (Continued)

(b) The Company

	Note	Other reserves						
		Capital surplus	Statutory surplus reserve *(i)*	Statutory public welfare fund *(ii)*	Investment revaluation reserve	Total	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006		(98,722)	25,581	12,790	–	(60,351)	321,867	261,516
Fair value gain on available-for-sale financial assets								
– Gross		–	–	–	24,266	24,266	–	24,266
– Related deferred income tax		–	–	–	(3,640)	(3,640)	–	(3,640)
Profit for the year		–	–	–	–	–	154,143	154,143
Share premium arising from issuance of new H-shares		55,028	–	–	–	55,028	–	55,028
Share issuance costs		(17,790)	–	–	–	(17,790)	–	(17,790)
Profit appropriation	*28(a)(i)*	–	27,454	–	–	27,454	(27,454)	–
Transfer	*28(a)(ii)*	–	12,790	(12,790)	–	–	–	–
Balance at 31 December 2006		(61,484)	65,825	–	20,626	24,967	448,556	473,523
Representing:								
– 2006 proposed final dividend		–	–	–	–	–	177,203	177,203
– Others		(61,484)	65,825	–	20,626	24,967	271,353	296,320
		(61,484)	65,825	–	20,626	24,967	448,556	473,523
Fair value gain on available-for-sale financial assets								
– Gross		**–**	**–**	**–**	**120,630**	**120,630**	**–**	**120,630**
– Related deferred income tax		**–**	**–**	**–**	**(30,158)**	**(30,158)**	**–**	**(30,158)**
Impact of new CIT Law on deferred income tax recognised directly in equity		**–**	**–**	**–**	**(2,426)**	**(2,426)**	**–**	**(2,426)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**341,552**	**341,552**
2006 final dividend		**–**	**–**	**–**	**–**	**–**	**(177,203)**	**(177,203)**
Profit appropriation		**–**	**25,892**	**–**	**–**	**25,892**	**(25,892)**	**–**
Adjustments to surplus reserve	*28 (a)(iii)*	**–**	**(54,015)**	**–**	**–**	**(54,015)**	**54,015**	**–**
Balance at 31 December 2007		**(61,484)**	**37,702**	**–**	**108,672**	**84,890**	**641,028**	**725,918**
Representing:								
– 2007 proposed final dividend		**–**	**–**	**–**	**–**	**–**	**155,393**	**155,393**
– Others		**(61,484)**	**37,,702**	**–**	**108,672**	**84,890**	**485,635**	**570,525**
		(61,484)	**37,,702**	**–**	**108,672**	**84,890**	**641,028**	**725,918**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29. REVENUES AND SEGMENT INFORMATION

(a) Revenues and other income

The Group's revenues (representing turnover) and other income are analysed as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Revenues	**2,890,969**	1,724,361
Other income		
Subsidy income *(i)*	**11,000**	11,000
Dividend income	**2,980**	1,276
Rental income	**6,918**	4,967
Others *(ii)*	**14,158**	16,800
	35,056	34,043
Total	**2,926,025**	1,758,404

(i) Pursuant to Xia Cai Qi [2004] No. 80 issued by Finance Bureau of Xiamen which encourages enterprises in Xiamen to develop the logistic infrastructure of Xiamen, XPD is entitled to an annual subsidy amounting to RMB11,000,000 for 5 years commencing from 2004.

(ii) This primarily consists of materials selling income, labour income and railway maintenance service fee.

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29. REVENUES AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment – business segments

Prior to July 2006, the Group was primarily engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying) and building materials manufacturing, processing and selling, and investment holding. Since July 2006, the Group commenced the trading business of industrial products (such as chemicals and steel). In view of the rapid growth of the Group's trading business which became more significant in the current year, the directors of the Company consider that it is more appropriate to present the trading of industrial products as a separate reportable business segment.

As a result, the business segment reporting includes the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) ancillary value-added port services; (4) manufacturing and selling of building materials; and (5) trading of industrial products.

Certain comparative segment information has been extended or reclassified to conform with the current year's presentation.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets primarily comprise of property, plant and equipment, land use rights, intangible assets, inventories, receivables and mainly exclude deferred income tax assets, interests in associates, available-for-sale financial assets, derivative financial instrument, other financial assets at fair value through profit or loss and long-term bank deposits.

Segment liabilities comprise of operating liabilities and exclude items such as current and deferred income tax liabilities, derivative financial instrument and borrowings.

Capital expenditure comprises mainly additions to property, plant and equipment (Note 5), land use rights (Note 6) and intangible assets (Note 7).

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29. REVENUES AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment – business segments (Continued)

The segment revenues, results and other information for the year ended 31 December 2007 are as follows:

	Year ended 31 December 2007					
	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	Total RMB'000
Total gross segment revenue	715,571	172,291	529,790	353,221	1,172,331	2,943,204
Inter-segment sales	–	–	(52,235)	–	–	(52,235)
Segment revenue – external sales	715,571	172,291	477,555	353,221	1,172,331	2,890,969
Segment results	330,653	33,277	149,593	27,255	7,440	548,218
Finance income						27,676
Finance costs						(17,158)
Operating profit after finance income and costs						558,736
Share of results of associates	–	–	2,859	1,612	–	4,471
Profit before income tax						563,207
Income tax expense						(56,632)
Profit for the year						506,575
Other information						
Depreciation	87,831	21,979	37,236	11,740	283	159,069
Amortisation	14,206	4,474	6,904	33	–	25,617
Reversal of impairment of inventories	–	–	(26)	–	–	(26)
Provision for impairment of receivables	25	482	700	3,909	6,713	11,829
Capital expenditure	297,036	47,468	71,914	6,570	148,823	571,811

Notes to the Consolidated Financial Statements

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29. REVENUES AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment – business segments (Continued)

The segment revenues, results and other information for the year ended 31 December 2006 are as follows:

	Year ended 31 December 2006					
	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	Total RMB'000
Total gross segment revenue	674,221	172,904	462,513	275,478	190,328	1,775,444
Inter-segment sales	–	–	(51,083)	–	–	(51,083)
Segment revenue – external sales	674,221	172,904	411,430	275,478	190,328	1,724,361
Segment results	256,214	46,306	172,456	15,190	2,848	493,014
Finance income						23,148
Finance costs						(17,954)
Operating profit after finance income and costs						498,208
Share of results of associates	–	–	2,836	3,544	–	6,380
Profit before income tax						504,588
Income tax expense						(93,988)
Profit for the year						410,600
Other information						
Depreciation	74,271	21,081	30,725	10,795	282	137,154
Amortisation	11,805	4,474	3,383	43	–	19,705
Provision for impairment of inventories	–	–	374		–	374
Provision for/(reversal of) impairment of receivables	(448)	633	146	206	–	537
Capital expenditure	287,260	35,167	78,118	18,290	–	418,835

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For the year ended 31 December 2007

29. REVENUES AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment – business segments (Continued)

The segment assets and liabilities as at respective balance sheet dates are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	Total RMB'000
As at 31 December 2007						
Segment assets	3,614,869	452,689	1,615,583	272,259	893,846	6,849,246
Interests in associates	–	–	34,418	915	–	35,333
						6,884,579
Unallocated assets						232,296
Total assets						7,116,875
Segment liabilities	264,135	33,864	473,457	152,314	601,231	1,525,001
Unallocated liabilities						1,108,914
Total liabilities						2,633,915
As at 31 December 2006						
Segment assets	3,573,321	417,182	1,248,503	232,280	243,255	5,714,541
Interests in associates	–	–	33,976	10,949	–	44,925
						5,759,466
Unallocated assets						87,800
Total assets						5,847,266
Segment liabilities	308,658	16,032	373,379	144,634	215,547	1,058,250
Unallocated liabilities						671,245
Total liabilities						1,729,495

Notes to the Consolidated Financial Statements

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29. REVENUES AND SEGMENT INFORMATION (Continued)

(c) Secondary reporting segment – geographical segments

As all of the Group's activities are conducted in the PRC, no analysis by geographical segment is presented as virtually all of the Group's revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

30. OTHER GAINS – NET

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Fair value gain on other financial assets at fair value through profit or loss	**4,086**	–
Gain on disposal of other financial assets at fair value through profit or loss	**38,871**	–
Fair value (loss)/gain on derivative financial instrument	**(7,536)**	3,053
Gain on disposal of available-for-sale financial assets *(a)*	**–**	55,805
Loss on liquidation of a subsidiary	**–**	(399)
Gain/(loss) on disposal of investment in an associate	**3,622**	(691)
Gain/(loss) on disposal of property, plant and equipment	**135**	(299)
Gain from the non-monetary contribution to a jointly controlled entity *(b)*	**21,784**	–
	60,962	57,469

(a) It represented a gain from disposal of 4,663,705 shares of CITIC Securities Co., Ltd. ("CITIC") (the "Shares") by XPD in October 2006. The Shares were converted from non-tradable legal person shares into restricted tradable shares after CITIC implemented its shares conversion scheme in the Shanghai Stock Exchange on 15 August 2005. XPD disposed of the Shares in October 2006 after expiry of the trading restriction period.

(b) In July 2007, the Company injected certain property, plant and equipment (mainly port facilities) with an aggregate carrying value of RMB32,493,000 to XHICT (Note 9(a)), a jointly controlled entity in which the Company has 51% interests, as its contracted capital contribution of RMB76,950,000 to XHICT (the "Non-monetary Contribution"). The total gain on the Non-monetary Contribution amounted to RMB44,457,000 (the "Gain"), out of which RMB21,784,000, representing 49% of the Gain has been realised in the consolidated income statement. The remaining unrealised gain, being 51% of the Gain is deferred and realised on a straight-line basis over the useful lives of the related property, plant and equipment.

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For the year ended 31 December 2007

31. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Salaries, wages and bonuses	**253,769**	247,742
Welfare, medical and other expenses	**60,413**	53,666
Contributions to pension plans	**51,356**	44,051
	365,538	345,459

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 13% to 36.5% (2006: 13% to 36.5%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. The Group has no further obligation for payment of retirement and other post-retirement benefits beyond these contributions. Contributions to these pension plans are expensed as incurred.

32. EXPENSES BY NATURE

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Employee benefit expenses	**365,538**	345,459
Cost of inventories sold/consumed	**1,549,519**	513,679
Depreciation of property, plant and equipment *(Note 5)*	**159,069**	137,154
Distribution, transportation and labour outsourcing	**83,434**	84,063
Business tax, stamp duty and real estate tax	**75,160**	71,030
Operating lease rental in respect of property, plant and equipment	**15,174**	21,143
General office expenses	**20,929**	24,545
Advertising and marketing expenses	**24,973**	19,231
Amortisation of land use rights *(Note 6)*	**22,654**	18,616
Provision for impairment of receivables	**11,829**	537
Repairs and maintenance	**24,902**	18,163
Property insurance expenses	**14,738**	12,641
Auditors' remuneration	**3,430**	3,842
Amortisation of intangible assets *(Note 7)*	**2,963**	1,089
(Reversal of write-down)/provision for impairment of inventories	**(26)**	374
Others	**64,483**	51,293
Total cost of sales, selling and marketing expenses and general and administrative expenses	**2,438,769**	1,322,859

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33. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Interests on bank borrowings	**(45,702)**	(42,260)
Less: amounts capitalised	**28,544**	24,306
	(17,158)	(17,954)
Interest income	**21,015**	17,685
Net foreign exchange gain	**6,661**	5,463
	27,676	23,148
Finance income, net	**10,518**	5,194

Amounts capitalised are borrowing costs related to construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the year ended 31 December 2007 was 6.10% (2006: 5.84%) per annum.

34. TAXATION

(a) Income tax expense

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year ended 31 December 2007 (2006: Nil).

Provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 15% (2006: 15%) of the assessable income of each of the companies comprising the Group during the year ended 31 December 2007 as determined in accordance with the relevant PRC income tax rules and regulations except for XICT and the Company itself.

As approved by the relevant tax authorities, XICT is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from the first cumulative profit-making year. XICT's first cumulative profit-making year was 2001. Accordingly, the applicable income tax rate for XICT for the year ended 31 December 2007 was 7.5% (2006: 7.5%).

Notes to the Consolidated Financial Statements

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34. TAXATION (Continued)

(a) Income tax expense (Continued)

As approved by the relevant tax authorities, the Company is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from 2007. Prior to 2007, the Company provided PRC enterprise income tax at the income tax rate of 15%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. Based on the directors' best estimate on the impact of the new CIT Law on the Group's deferred income tax position, the related impact is to increase the carrying amounts of deferred income tax assets and liabilities as at 31 December 2007 by RMB17,560,000 and RMB4,077,000 respectively, resulting in a corresponding net credit to the consolidated income statement and the Group's total equity of RMB5,056,000 and RMB8,427,000 respectively.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and the corresponding change in accounting estimate will be accounted for prospectively.

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

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
PRC current income tax	**62,567**	92,479
Deferred income tax (credit)/charge	**(5,935)**	1,509
	56,632	93,988

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

34. TAXATION (Continued)

(a) Income tax expense (Continued)

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**563,207**	504,588
Less: share of results of associates	**(4,471)**	(6,380)
	558,736	498,208
Tax calculated at the statutory tax rate of 15%	**83,810**	74,731
Effect of tax holiday of XICT	**(7,059)**	(6,762)
Effect of tax holiday of the Company	**(25,272)**	–
Additional deductible allowances from purchases of domestic equipment	**(420)**	(330)
Additional tax deduction obtained for expenses incurred in prior year	**(15,618)**	–
Impact of change in applicable tax rate on deferred income tax assets and liabilities due to the new CIT Law	**(5,056)**	–
Income not subject to income tax	**(447)**	(211)
Expenses not deductible for income tax purposes	**26,694**	26,560
Income tax expense	**56,632**	93,988

(b) Business tax ("BT") and related taxes

The Group is subject to BT at rates of 3% or 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 4% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Certain subsidiaries of the Company are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of products can be used to offset the output VAT to determine the net VAT payable. In addition, some of other subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The above subsidiaries are also subject to CCT and ES based on 7% and 4% of net VAT payable, respectively.

Notes to the Consolidated Financial Statements

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35. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2007 is dealt with in the financial statements of the Company to the extent of RMB341,552,000 (2006: RMB154,143,000).

36. DIVIDEND

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Final, proposed of dividend		
– Domestic share	**99,151**	113,068
– H-share	**56,242**	64,135
	155,393	177,203

At a meeting held on 18 April 2008, the directors proposed final dividend of RMB5.7 cents per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

37. EARNINGS PER SHARE

Basic earnings per share on profit for the year ended 31 December 2007 have been computed by dividing the profit attributable to equity holders of the Company of RMB374,417,000 (2006: RMB280,985,000) by weighted average number of the Company's shares in issue of 2,726,200,000 (2006: 2,725,558,904) shares during the year.

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

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38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT's EMOLUMENTS

(a) Directors', supervisors' and senior management's emoluments

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Directors and supervisors		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,688**	2,624
Contributions to pension plans	**132**	205
Discretionary bonuses	**2,039**	1,714
Senior management		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**299**	486
Contributions to pension plans	**38**	71
Discretionary bonuses	**321**	500
	5,517	5,600

Other allowances and benefits-in-kind mainly represent the miscellaneous allowance for living expenses, travelling allowance and telephone allowance.

Notes to the Consolidated Financial Statements

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38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT's EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

The emoluments received by individual directors, supervisors and senior management are as follows:

(i) Year ended 31 December 2007

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMsB'000	Discretionary bonuses RMB'000	Total RMB'000
Directors and supervisors				
Zheng Yongen	265	13	273	551
Zeng Yingguo (*)	127	4	137	268
Chen Dingyu	282	19	295	596
Fang Yao	288	19	295	602
Huang Zirong	254	19	262	535
Hong Lijuan (**)	246	19	262	527
Ke Dong	272	18	299	589
Wu Jianliang	157	19	194	370
Fu Chengjing	80	–	–	80
Miao Luping	80	–	–	80
Lin Kaibiao	97	2	22	121
Huang Shizhong	80	–	–	80
Zhen Hong	80	–	–	80
Hui Wang Chuen	180	–	–	180
Fang Zuhui	50	–	–	50
Luo Jianzhong	50	–	–	50
Tang Jinmu	50	–	–	50
He Shaoping	50	–	–	50
	2,688	132	2,039	4,859
Senior management				
Lu Jianwei	164	19	190	373
Zhang Yibing	135	19	131	285
	299	38	321	658
	2,987	170	2,360	5,517

* Resigned on 10 April 2007.

** Appointed on 8 June 2007.

Notes to the Consolidated Financial Statements

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38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

(ii) Year ended 31 December 2006

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and supervisors				
Zeng Yingguo	350	38	350	738
Chen Dingyu	261	33	252	546
Lin Kaibiao	231	30	224	485
Huang Zirong	236	31	224	491
Fang Yao	262	32	252	546
Ke Dong	316	16	240	572
Wu Jianliang	188	25	172	385
Zheng Yongen	80	–	–	80
Fu Chengjing	80	–	–	80
Miao Luping	80	–	–	80
Huang Shizhong	80	–	–	80
Zhen Hong	80	–	–	80
Hui Wang Chuen	180	–	–	180
Fang Zuhui	50	–	–	50
Luo Jianzhong	50	–	–	50
Tang Jinmu	50	–	–	50
He Shaoping	50	–	–	50
	2,624	205	1,714	4,543
Senior management				
Hong Lijuan	207	29	200	436
Lu Jianwei	151	25	188	364
Zhang Yibing	128	17	112	257
	486	71	500	1,057
	3,110	276	2,214	5,600

Notes to the Consolidated Financial Statements

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38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

The emoluments of the directors, supervisors and senior management of the Company fall within the following bands:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Directors and supervisors		
Nil to HK$1,000,000		
(equivalent to RMB936,400)	**17**	17
Senior management		
Nil to HK$1,000,000		
(equivalent to RMB936,400)	**2**	3

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the current and the prior year are all directors whose emoluments have been included in Note 38(a) above.

Notes to the Consolidated Financial Statements

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39. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit for the year to net cash generated from operations:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**563,207**	504,588
Adjustments for:		
– Share of results of associates	**(4,471)**	(6,380)
– Depreciation of property, plant and equipment	**159,069**	137,154
– Amortisation of land use rights	**22,654**	18,616
– Amortisation of intangible assets	**2,963**	1,089
– Gain from the non-monetary contribution to a jointly controlled entity	**(21,784)**	–
– (Gain)/loss on disposal of property, plant and equipment	**(135)**	299
– Fair value loss/(gain)on derivative financial instrument	**7,536**	(3,053)
– Gain on disposal of available-for-sale financial assets	**–**	(55,805)
– (Gain)/loss on disposal of an associate	**(3,622)**	691
– Loss on liquidation of a subsidiary	**–**	399
– (Reversal of write-down)/provision for impairment of inventories	**(26)**	374
– Provision for impairment of receivables	**11,829**	537
– Dividend income	**(2,980)**	(1,276)
– Interest income	**(21,015)**	(17,685)
– Interest expenses	**17,158**	17,954
– Unrealised foreign exchange gain	**(6,201)**	(3,319)
Changes in working capital :		
– Accounts and notes receivable	**(113,295)**	(87,954)
– Other receivables and prepayments	**(296,695)**	(96,880)
– Other financial assets at fair value through profit or loss	**(8,931)**	–
– Inventories	**(284,934)**	(34,772)
– Accounts and notes payable	**351,159**	199,943
– Other payables and accruals	**94,969**	(117,489)
– Restricted cash	**(510)**	7,574
Net cash generated from operations	**465,945**	464,605

Notes to the Consolidated Financial Statements

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39. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) The major non-cash transactions for the year ended 31 December 2007 represented the non-monetary assets contributed by the Company to XHICT, details of which are set out in Note 30(b).

40. COMMITMENTS

(a) Capital commitments

(i) The Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
– the Group	**311,002**	372,675
– a jointly controlled entity	**8,326**	25,729
	319,328	398,404
Capital contribution to a jointly controlled entity	**58,590**	-
	377,918	398,404

Capital commitments as at 31 December 2007 represent mainly RMB319,328,000 relating to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, acquisitions of vessels and renovation of buildings, and RMB58,590,000 relating to investment to Xiamen Port YCH Logistics Co., Ltd., a joint venture established in PRC, in which the Group holds 60% equity interests but without unilateral control. These commitments were entered into by the Group by 31 December 2007 but had not been incurred as at that date.

(ii) The Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for	**310,767**	363,944

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For the year ended 31 December 2007

40. COMMITMENTS (Continued)

(b) Operating lease commitments – The Group

The future minimum lease payments under non-cancellable operating leases on property, plant and equipment are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Not later than 1 year	**14,706**	20,303
Later than 1 year and not later than 5 years	**15,158**	5,528
Later than 5 years	**6,620**	7,361
	36,484	33,192

The Company has no operating lease commitment as of 31 December 2007 and 2006.

41. CONTINGENT LIABILITIES

As of 31 December 2007 and 2006, the Group and the Company have no significant contingent liabilities.

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42. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Company is controlled by Xiamen Port Holding, the parent company, which is in turn subject to the control of the PRC government.

In accordance with HKAS 24 "Related Party Disclosure", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, the directors believe that meaningful information relating to related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the consolidated 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, including other state-owned enterprises, during the year ended 31 December 2007 and balances arising from these significant related party transactions.

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42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) During the year, the Group had the following significant transactions with related parties.

		Year ended 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
Transaction with Finance Bureau of Xiamen			
Other income			
Subsidy income	*(i)*	**11,000**	11,000
Transactions with the parent company			
Revenues			
Railway maintenance services fee	*(ii)*	**1,080**	1,080
Electrical equipment maintenance	*(iii)*	**3,970**	1,285
Expenses			
Operating lease in respect of land and office premises	*(iv)*	**6,284**	10,297
Comprehensive services	*(v)*	**19,326**	19,270
Others			
Purchase of property, plant and equipment	*(vi)*	**–**	4,755
XPD share conversion consideration	*(vii)*	**–**	127,737
Disposal of partial interest in an associate	*(viii)*	**–**	4,648
Transactions with fellow subsidiaries			
Revenues			
Loading and unloading services rendered	*(ix)*	**–**	2,570
Electrical equipment maintenance	*(iii)*	**3,760**	2,051
Expenses			
Office and property management	*(x)*	**4,985**	6,089
Operating lease in respect of land and office premises	*(iv)*	**3,035**	1,710
Labour services	*(xi)*	**17,805**	20,313
Others			
Purchase of property, plant and equipment	*(xii)*	**8,366**	16,794
Construction project management	*(xiii)*	**6,290**	8,438

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42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Transactions with other state-owned enterprises			
Revenues			
Electrical equipment maintenance	*(iii)*	**4,699**	5,182
Loading and unloading services rendered	*(ix)*	**140,968**	123,509
Port ancillary services rendered	*(ix)*	**27,364**	29,974
Sales of building materials	*(ix)*	**6,541**	78,074
Interest income from bank deposits		**21,015**	17,685
Expenses			
Purchase of goods and raw materials	*(xiv)*	**46,459**	55,251
Fuel charges	*(xiv)*	**65,206**	81,821
Interest expenses paid to state-owned banks	*(xv)*	**40,088**	36,403
Other			
Purchase of property, plant and equipment	*(xvi)*	**193,438**	287,797
Purchase of land use rights	*(xvii)*	**117,632**	–
Disposal of an associate	*(xviii)*	**15,268**	–

(i) XPD is entitled to annual subsidy amounting to RMB11,000,000 from Finance Bureau of Xiamen for 5 years commencing from 2004 pursuant to Xia Cai Qi [2004] Document No. 80.

(ii) The railway maintenance service is provided by XPD to Xiamen Port Holding in accordance with the railway concession agreement. The railway line is specialised in transportation of containers and cargos from Dongdu terminal to the city's railway station and provides freight forwarding services for container and cargos handled at Dongdu terminal. The maintenance services fee is charged by XPD at a fixed rate of RMB1,080,000 per year.

(iii) Xiamen Port Power Supply Co., Ltd. provided electrical equipment maintenance services for the relevant facilities and devices for Xiamen Port Holding, fellow subsidiaries and other state-owned enterprises. The transactions were conducted in accordance with agreement entered into with the related parties.

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

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For the year ended 31 December 2007

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(v) The comprehensive services fee provided by Xiamen Port Holding to the Group was determined based on the terms stipulated in the comprehensive services agreement dated 1 August 2004.

(vi) The purchase of property, plant and equipment in 2006 mainly represented the acquisition cost for certain vehicles and furniture, fittings and equipments from Xiamen Port Holding in 2006.

(vii) On 29 September 2006, the holders of XPD's tradable A shares (the "A-Share Equity Holders") approved the share conversion scheme of XPD (the "Scheme"). Pursuant to the Scheme, XPD transferred for free 8 XPD's shares for every 10 XPD's shares being held by all of its shareholders (the "Share Transfer") and after the Share Transfer, the A-Share Equity Holders were entitled to receive cash and free shares from the holders of XPD's non-tradable shares, as consideration for the A-Share Equity Holders' approved for the conversion of the XPD's non-tradable shares into restricted tradable shares. Cash compensation of RMB127.7 million payable by the Group to the A-Share Equity Holders was paid by Xiamen Port Holding in accordance with its indemnity given to the Company in November 2005.

(viii) The Group's partial disposal of its 30% equity interests in Fujian Electron Port Inc. ("Fujian Electron") to Xiamen Port Holding was completed in July 2006. Cash proceeds from the disposal amounted to RMB4,648,000.

(ix) The loading and unloading services rendered, port ancillary services rendered, sales of building materials to the related parties and other state-owned enterprises were carried out on terms that were mutually agreed by both contract parties.

(x) Represented the management service fees paid by the Group to Xiamen Port Property Management Co., Ltd. for its provision of office and property management services in connection with office premises occupied by the Group. The fees were mutually agreed by both parties.

(xi) The related labour services were provided by Xiamen Port Labour Services Co., Ltd. and Xiamen Port Hailongchang International Freight Co., Ltd. to the Group. The terms were stipulated in Master Labour Service Agreement entered into between those parties involved.

(xii) The purchase of property, plant and equipment was the expenditure to Xiamen Port Engineering Co. Ltd. for berth construction services, building construction services and other related port engineering services. The terms were mutually agreed by both parties.

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For the year ended 31 December 2007

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(xiii) The project management service was provided by Xiamen Port Development and Construction Co. Ltd, for project management on the construction of berths or other port-related facilities and infrastructure to the subsidiaries of the Group. The price was mutually agreed by the parties involved.

(xiv) The consideration paid and the terms were mutually agreed by the parties involved.

(xv) Interest was charged for loans with state-owned banks in accordance with the terms set out in the respective agreements or as mutually agreed with the parties involved.

(xvi) The purchases of property, plant and equipment from other state-owned enterprises mainly consisted of buildings, port infrastructure, storage infrastructure, loading and other machinery, vehicles, vessels, furniture, fittings and equipments and construction-in-progress, which were conducted at terms that were mutually agreed by the parties involved.

(xvii) In relation to the Xiamen Xiangyu Free Trade Logistic Park Zone project (the "Project"), XPD entered into a land grant contract with Xiamen Land Bureau and Xiangyu Administrative Committee on 23 March 2007 (the "Contract"). Pursuant to the Contract, Xiamen Land Bureau granted the land use right of with a total area of 262,210.835 square meters (the "Land Use Right") to XPD at a consideration of approximately RMB214,488,000. After netting off the compensation received from Xiangyu Administrative Committee of RMB96,856,000 for the resumption of the land use rights in connection with the Project, the net amount paid by the Group for the acquisition of the Land Use Right was RMB117,632,000.

(xviii) Pursuant to an agreement dated 15 July 2007, Xiamen Road & Bridge Building Materials Corporation Ltd., a subsidiary of the Group, transferred its entire 15% equity interest in Xiamen Road and Bridge Concrete Engineering Corporation Ltd., a then associate of the Group, to Xiamen Road & Bridge Construction Group Co., Ltd. at a consideration of approximately RMB15,268,000.

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42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
Balances with the parent company			
Other receivables and prepayments	*(i)*	**307**	104
Other payables and accruals	*(ii)*	**1,742**	183
Balances with fellow subsidiaries			
Accounts receivable	*(iii)*	**2,211**	3,392
Other receivables and prepayments	*(iii)*	**1,023**	–
Accounts payable	*(iii)*	**9,336**	5,524
Other payables and accruals	*(iii)*	**5,273**	3,767
Balances with minority shareholders of subsidiaries			
Dividend payable	*(iii)*	**15,218**	–
Balances with other related parties			
Other payables and accruals	*(iv)*	**19,685**	17,578
Balances with other state-owned enterprise			
Restricted cash	*(v)*	**41,751**	41,241
Long-term bank deposits	*(v)*	**7,306**	7,809
Term deposits with initial term of over three months	*(v)*	**94,050**	419,718
Cash and cash equivalents	*(v)*	**1,001,123**	594,620
Accounts receivable	*(vi)*	**81,967**	53,452
Other receivables and prepayments	*(vi)*	**16,185**	7,657
Accounts payable	*(vi)*	**23,890**	6,066
Other payables and accruals	*(vi)*	**5,815**	7,182
Borrowings	*(vii)*	**917,370**	498,130

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For the year ended 31 December 2007

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

(i) The balance represented the railway maintenance service fee receivable from Xiamen Port Holding in accordance with the railway concession service agreement.

(ii) The balance consisted of employee benefit expense paid on behalf of the Company by Xiamen Port Holding and operating lease expense payable to Xiamen Port Holding based on the terms stipulated in lease agreement entered into between the parties involved.

(iii) These balances were unsecured, interest free and have no fixed terms of repayment.

(iv) The balance referred to port construction fee collected on behalf of Xiamen Municipal Port Authority.

(v) These balances included restricted cash, cash and cash equivalents and term deposits with state-owned banks and financial institutions.

(vi) These balances arose from the ordinary course of the Group's business were unsecured, interest free and no fixed payment terms.

(vii) These balances were the current and non-current bank borrowings from state-owned banks and financial institutions.

(c) Key management compensation:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,987**	3,110
Contributions to pension plans	**170**	276
Discretionary bonuses	**2,360**	2,214
	5,517	5,600

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43. PENDING LITIGATION

During the year ended 31 December 2007, XPD, a subsidiary of the Company in which the Company has equity interests of 55.13% and is engaging in trading of industrial products, has stored certain of its inventories in a warehouse owned and operated by a third party storage company (the "Storage Company"). It was subsequently discovered by XPD that part of the inventories with carrying amount of RMB25,000,000 (the "Inventories") were taken away prior to the balance sheet date, without the proper approval or consent from XPD, by a third party customer (the "Customer"), to which XPD originally intended to sell the Inventories.

In January 2008, XPD filed with Intermediate People's Court of Xiamen City (the "Court") a legal claim against the Customer and the Storage Company for the lost of the Inventories (the "Claim"). In February 2008, the Court accepted XPD's application and issued an injunction to freeze the land use right of a piece of land (the "Lang Use Right") owned by the Customer with an area of 12,894.40 square metres in Shantou City. XPD is ranked the second in order beneficiary against the Land Use Right for the Claim. The case is currently under process and the Claim is still pending as of the date of this report.

To reflect the lost of the Inventories and the Claim lodged against the lost, XPD derecognised the Inventories of RMB25,000,000 and recognised a receivable from the Customer at the same amount as at 31 December 2007. Furthermore, based on the latest development of the Claim, and after assessing the value of the Land Use Right being frozen by the Court for the Claim and the advanced payment previously made by the Customer to XPD, the directors of the Company believes that an impairment provision of RMB6,200,000 for the receivable from the Customer as at 31 December 2007 is warrant (Note 16(a)(i)).

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) Subsidiaries

As at 31 December 2007, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Type of legal entity	Issued share/ paid-in capital 2007 (RMB'000)	Issued share/ paid-in capital 2006 (RMB'000)	Attributable equity interests 2007 Directly held	Attributable equity interests 2007 Indirectly held	Attributable equity interests 2006 Directly held	Attributable equity interests 2006 Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	**531,000**	531,000	**55.13%**	**–**	55.13%	–	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted								
China Ocean Shipping Agency (Xiamen) Co., Ltd.#	Limited liability company	**30,000**	30,000	**–**	**33.08%**	–	33.08%	Shipping agency services for international vessels
Xiamen Waili Tally Co.,Ltd.#	Limited liability company	**17,000**	17,000	**–**	**47.41%**	–	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	**60,000**	60,000	**10%**	**49.62%**	10%	49.62%	Tugboat berthing and unberthing
Xiamen Haicang Port Co., Ltd.	Limited liability company	**120,000**	120,000	**70%**	**–**	70%	–	Cargo stevedoring and barging
Xiamen Port Logistics Co., Ltd.	Limited liability company	**65,000**	60,000	**–**	**55.26%**	–	55.26%	Container deposit, land transport, international freight agency
Xiamen Haitian Container Terminal Co., Ltd.	Limited liability company	**200,000**	200,000	**85%**	**8.29%**	85%	8.29%	Container loading and unloading for international trade

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2007 (RMB'000)	Issued share/ paid-in capital 2006 (RMB'000)	Attributable equity interests 2007 Directly held	Attributable equity interests 2007 Indirectly held	Attributable equity interests 2006 Directly held	Attributable equity interests 2006 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port (Group) Domestic Shipping Agent Co., Ltd. #	Limited liability company	**2,000**	2,000	**–**	**44.10%**	–	44.10%	Shipping agency services for domestic trade
Xiamen Port Power Supply Service Co., Ltd.	Limited liability company	**10,000**	10,000	**80%**	**18.66%**	80%	18.66%	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	**20,000**	20,000	**–**	**52.37%**	–	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd. #	Limited liability company	**6,000**	6,000	**–**	**33.08%**	–	33.08%	Agency services for import and export of products/technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd. #	Limited liability	**2,000**	2,000	**–**	**33.08%**	–	33.08%	Domestic transportation company agency and labour services
Xiamen Penavico Customs Broker Co., Ltd. #	Limited liability company	**1,800**	1,800	**–**	**33.08%**	–	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd. #	Limited liability	**3,800**	3,800	**–**	**33.08%**	–	33.08%	Agency services for imports and company exports of products and technology and operations of bonded warehouse

Notes to the Consolidated Financial Statements

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2007 (RMB'000)	Issued share/ paid-in capital 2006 (RMB'000)	Attributable equity interests 2007 Directly held	Attributable equity interests 2007 Indirectly held	Attributable equity interests 2006 Directly held	Attributable equity interests 2006 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Penavico Air Freight Co., Ltd. #	Limited liability company	**5,000**	5,000	**–**	**33.08%**	–	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	**35,000**	35,000	**–**	**55.25%**	–	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	**6,630**	6,630	**50%**	**27.63%**	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	**40,000**	25,000	**–**	**55.13%**	–	55.13%	Container deposit, land transport
Xiamen Port trading Co., Ltd.	Limited liability company	**10,000**	10,000	**–**	**55.13%**	–	55.13%	Commodity export agency and sales of building materials
Xiamen Port Hailuda Building Materials Ltd. #*	Limited liability company	**7,000**	–	**–**	**44.10%**	–	–	Manufacturing, processing and selling of building materials
Xiamen Waili logistics management Co., Ltd. #*	Limited liability company	**300**	–	**–**	**47.41%**	–	–	Container deposit, land transport and logistics management

\# The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

* Subsidiaries established during the year ended 31 December 2007.

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(b) Jointly controlled entities

As at 31 December 2007, the Group had interest in the following jointly controlled entities:

Name	Paid-in capital		Proportion of ownership held by the Group		Principal activities
	2007	2006	**2007**	2006	
	(RMB'000)				
Xiamen International Container Terminals Ltd.	**1,148,700**	1,148,700	**51%**	51%	Container loading and unloading for international trade
Xiamen Gangtong Logistic Co., Ltd.	**5,000**	5,000	**50%**	50%	Container storage and land transportation
Xiamen Haicang International Container Terminals Ltd. *(Note 9(a))*	**150,883**	–	**51%**	–	Container loading and unloading for international trade

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) Associates

As at 31 December 2007, the Group has interests in the following associates:

Name	Type of legal entity	Paid-in capital		Attributable equity interests		Principal activities
		2007	2006	**2007**	2006	
		(RMB'000)				
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	**18,000**	18,000	**35.7%**	35.7%	Provision of storage services
Quanzhou Qing Meng logistics Co., Ltd.	Limited liability company	**10,000**	10,000	**40%**	40%	Provision of container storage, traffic and maintenance services
Xiamen Sandeli Container Storage Co., Ltd.	Limited liability company	**10,000**	10,000	**45%**	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Harbour Lurong Water-and-Railway Coordinated Transportation Co., Ltd.	Limited liability company	**500**	500	**48%**	48%	Provision of railway cargo transportation and agency services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	**1,500**	1,500	**40%**	40%	Manufacturing, processing and selling of building materials
Xiamen Road and Bridge Concrete Engineering Corporation Ltd. *(Note 42(a)(xviii))*	Limited liability company	**–**	40,000	**–**	15%	Production and sale of concrete engineering construction

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44. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

All subsidiaries, jointly controlled entities and associates are incorporated in Xiamen, the PRC.

The operations of all subsidiaries, jointly controlled entities and associates are principally carried out in Xiamen, the PRC.

Except for XPD which is listed company in the PRC, all subsidiaries, jointly controlled entities and associates are private companies that have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, jointly controlled entity and associates referred to in this report represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

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

No. 127 Dongdu Road, Xiamen PRC
Post code: 361012

Tel: +86-592-5829005
Fax: +86-592-5653378 +86-592-5613177
Website: http://www.xipc.com.cn