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

Stock Code: 3378

2010
ANNUAL REPORT

* For identification purpose only

Contents

Xiamen International Port Co., Ltd.
Annual Report 2010

Corporate Information

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

Non-executive Directors
ZHENG Yongen**
CHEN Dingyu**
FU Chengjing
KE Dong

Independent Non-executive Directors
LIU Feng***
ZHEN Hong
HUI Wang Chuen

Supervisors
YAN Tengyun***
LUO Jianzhong
WU Jianliang
WU Weijian
TANG Jinmu
XIAO Zuoping***

Company Secretary
HONG Lijuan

Qualified Accountant
ZHANG Yibing *(FCCA)*

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
CPAs Limited Company

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

as to PRC law:
King & Wood

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

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
3378

Listing Date
19 December 2005

* Changed from Non-executive Directors to Executive Directors since 28 February 2011
** Changed from Executive Directors to Non-executive Directors since 28 February 2011
*** Newly appointed since 28 February 2011

Corporate Profile

The Group is the largest port terminal 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 storage 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 currently operates four international container terminals, namely the Haitian Terminal, XICT, Hairun Terminal and XHICT, as well as 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 16 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels of the world. Shipping routes have been developed from the container terminals to major ports in Europe, the US, the Mediterranean, Australia, Southeast Asia and Japan. The container terminals are also connected to major domestic shipping routes.

For the year ended
31 December 2010
Xiamen Port Co. realised
revenues of approximately

RMB 2,241,717,000

representing an increase of
approximately **8.5%**
compared to the previous year


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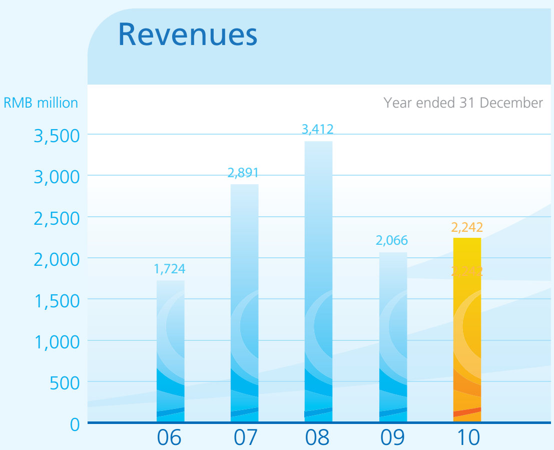
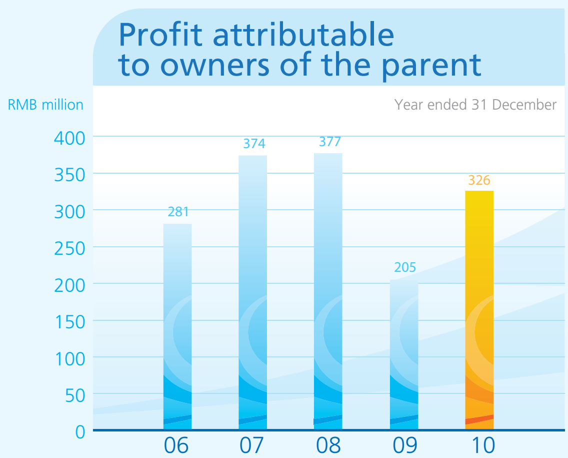
Financial Highlights

	Year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Revenues	1,724,361	2,890,969	3,411,524	2,065,904	**2,241,717**
Gross profit	606,945	640,570	611,518	437,840	**565,001**
Operating profit	493,014	548,218	506,146	322,821	**459,728**
Profit before income tax expense	504,588	563,207	502,067	310,771	**458,649**
Profit for the year	410,600	506,575	474,259	271,183	**406,121**
Profit attributable to owners of the parent	280,985	374,417	376,659	205,091	**325,814**
Earnings per share for profit attributable to owners of the parent during the year — Basic and diluted (in RMB cents)	10.31	13.73	13.82	7.52	**11.95**



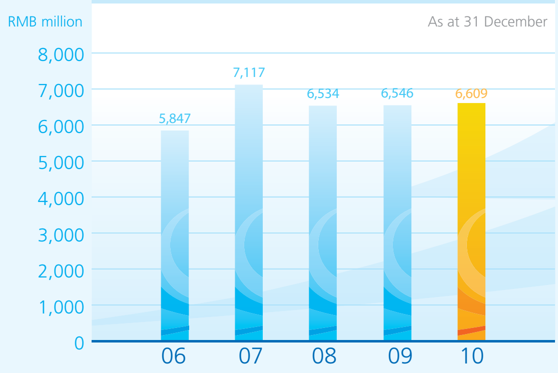


Financial Highlights

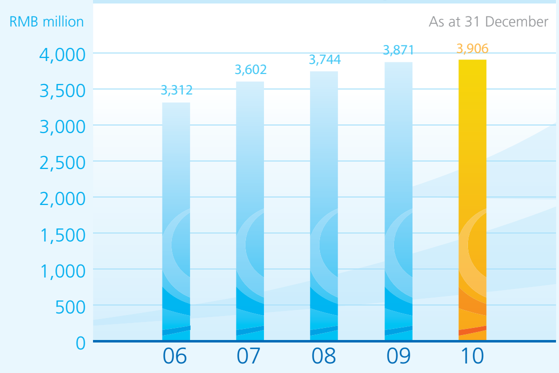
	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Total assets	5,847,266	7,116,875	6,534,122	6,546,137	6,609,407
Equity attributable to owners of the parent	3,311,644	3,602,147	3,743,916	3,871,063	3,906,187
Total liabilities	1,729,495	2,633,915	1,870,399	1,758,284	1,742,261
Cash and cash equivalents	594,687	1,001,285	844,665	806,557	1,154,304

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Current ratio (times)	1.84	1.36	1.52	1.53	1.70
Net debt to equity (%)	0.06	0.13	(4.03)	(9.66)	(18.56)
Inventory turnover days	40	42	34	30	32
Accounts receivable turnover days	96	62	55	94	94

Total assets



Equity attributable to owners of the parent



For the year ended
31 December 2010
the container throughput
achieved

3,788,283 TEUs

representing an increase of
approximately **24.31%**
compared to the previous year


CHINA SHIPPING
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Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2010 to the shareholders.

In 2010, the global economy recovered at a high speed and China's economy gradually trended toward stability and started to rise quickly. As a barometer of the global economy, China's port and shipping businesses showed a strong rebound and the port throughput recorded a significant growth. As the port and shipping market underwent rapid recovery, the Group positively captured the development opportunity in an effort to exploit the external market while promoting the work of internal control and resources integration. The Group fully leveraged its advantages on its overall business chain of integrated logistics services in the port, and flexibly allocated its resources, and focused on strengthening and developing the core businesses such as port handling and ancillary value-added port services so as to achieve sound results of the Group's various principal businesses and profits in 2010.

For the year ended 31 December 2010, the revenue of Xiamen Port was approximately RMB2, 241,717,000, which increased by approximately 8.5% over the previous year. Profit after tax was approximately RMB406,121,000, representing an increase of approximately 49.8% over the previous year. Profit attributable to owners of the parent was approximately RMB325,814,000, which increased by approximately 58.9% over the previous year. Earnings per share for 2010 was RMB11.95 cents.

The Board recommended the payment of a final dividend of RMB9 cents per share, amounting to a total dividend of RMB245,358,000.

In 2010, the Group adhered to the development of its core port business, grasped market opportunities, expanded the market externally as well as improved efficiency internally, and made efforts to promote the Group's sound and rapid development of port production. Firstly, the Group took efforts to enhance marketing. The main measures included: promoting the overall sales and marketing; taking full advantage of value chain of port business; enhancing the overall external competitiveness; promoting the interactive development between cargo-handling services and ancillary value-added services; promoting ship owners marketing; enhancing marketing efforts towards headquarters of shipping companies; further optimizing the routes business structure; and stressing the development of international transit business and shipping route business to Taiwan. The Haitian Terminal under the Company: took the lead to establish Taiwan business liaison offices in Taipei and Taichung; took the initiative to establish business contacts with the headquarters of Taiwan shipping companies; advanced cargo owners marketing; innovated service models; promoted the service forward; initiatively guided the flow of goods of major clients; lay stress on expanding the cargo hinterlands such as Jiangxi and Hunan; and vigorously developed sea-rail joint transportation.

Chairman's Statement

During 2010, the volume of sea-rail joint transportation container of the Group was 25,031 TEUs, representing an increase of approximately 21.7% when compared with the corresponding period of last year. Secondly, the operation efficiency was also enhanced. The Group promoted the port informationization construction, researched, developed and implemented the application of "Ship Dynamics and Monitoring Geographic Information System of Port Operation"(船舶動態與港口生產作業監控地理信息系統), so that the operation and management staff at all levels can grasp the ship dynamics and basic port information more comprehensively and directly, so as to improve the operation monitoring standards of terminals. We also improved the efficiency of terminal operations, adopted positive measures to enhance operational efficiency according to different production characteristics of terminals under the Company. For instance, Haitian Terminal focused on punctuality of the ships based on its characteristics of near-sea, feeder service, multi-berth cruise and intensive flight, with the punctuality of berthing and unberthing remaining at high level above 93%. Hairun Terminal focused on operating efficiency of ships based on its characteristics of mainly berthing in oceangoing ships and large ships, achieving average 34.4 MOVES per hour for per bridge crane. During the period under review, the Group's container throughput and bulk/general cargos handling achieved rapid growth, which were 3,788,000 TEUs and approximately 6,236,000 tonnes respectively (in which the throughput of the aforesaid businesses of XICT was included on a 100% basis and the data below will be included on the same basis). With the container throughput representing approximately 65.0% and 43.7% of the total container throughput of Xiamen City and Fujian Province respectively, the Group continued to maintain its market leadership position.

During the period under review, the Group continuously advanced corporate governance, strengthened internal control and refined management, and promoted resources integration the same as usual, which resulted in a good effect. The Group believes that a good governance level is helpful to increase the investors' confidence in the Company's governance ability, therefore, the Group has always made efforts to enhance its corporate governance. The information disclosure conducted by the Group was also fully recognized by the market. During 2010, the Group's 2009 annual report won the Bronze Award for excellence within its industry on the development of the organization's annual report in "2009 Vision Awards" (For Annual Report Competition) which was organized by League of American Communications Professionals and with the participation of more than 20 countries/3,200 companies. The Group also made timely updates and discloses as to the relevant continuing connected transactions between the Group and each connected parties for the next three years covering 2011 to 2013 according to procedures. During the year, the Group cooperated with Beijing Puxin Management Consultancy Company (北京普信管理諮詢公司) to complete the development of the graphs/forms and system documents related to the construction of risk management and control, and issued and implemented "Measures for Administration of Investment (Trial)" and "Measures for Administration of Information Disclosure Matters" approved by the Board according to procedures, so as to further improve its internal control system. At the same time, the Company positively

Chairman's Statement

finalized the requirement of refined management, continuously implemented budget management, further solidified the analysis, management and enforcement capabilities of the overall budget. The Group also reinforced its audit and supervision capabilities by intensifying the audit and monitor of the management of relevant project items and inventory items in accordance with the actual circumstances. For equipment management, the Group's equipment management system was successively and fully applied in all the enterprises within the Group, which helped the scientization and informationization of equipment management. Meanwhile, the Group also continuously advanced various energy-saving technological transformation projects, completed the transformation projects such as the feedback energy-saving systems of Rubber-tyre Gantry in Haitian Terminal, while the "electrification" of Rubber-tyre Gantry in the container yard of Hairun Terminal and the pressure boost transformation project of 35 KV transformer station in Dongdu port area are in intensive progress. During the year, after sufficient coordination with Hong Kong Hutchison Group and XHICT, the Group injected the assets of the land container yard projects and terminal front operating area of berth No. 1 in Haicang port area of Xiamen port to XHICT as scheduled in the form of capital increase and transfer, respectively, which contributed to the Group's current profits of 2010 as well as ensured preservation and appreciation of the relevant assets.

It is expected that the global economy in 2011 will keep a recovery growth that has been in 2010. According to the forecast of the Chinese government and its relevant departments, the national economic growth of China will be approximately 8% in 2011, showing that China's economy and its foreign trade will continue to maintain a relatively steady and rapid growth. Meanwhile, as the strategy of the Economic Zone on the Western Coast is brought into a national strategy, the Chinese relevant ministries and commissions are strengthening supports to Fujian Province in respect of planning, projects, funds and policies. The cross-strait industrial tie-in is increasing and the Early Harvest Program for trade of goods is actively implemented following the signing of the ECFA. It is expected that the economy of the whole Western Coast, including Fujian Province and Xiamen City, will continue to grow, which will provide a solid guarantee for the development of Xiamen port and the business of the Group. However, attention should also be paid to the fact that there are a lot of uncertainties arising from the external environment during the development of China's economy in 2011: the influence of the international financial crisis is likely to continue; the global economic and trade growth are expected to slow down; the imbalance, non-convergence and lack of coordination of foreign economy may have certain impact on China's economic growth; and the construction and operation of the other terminals in Haicang port

area of Xiamen port and the changes in tax rates of relevant companies under the Group during tax holidays may bring some adverse effects to the Group's port businesses and revenue growth. Therefore, the Group may experience great opportunities, while facing numerous challenges in 2011.

Looking ahead to 2011, for the purpose of the sustainable development of the Company and maximizing the overall interests of shareholders, the Group will: strictly adhere to the Listing Rules; continue to promote corporate governance; further enhance strategic planning; improve the internal control system; specify the management system in all aspects; constantly improve the internal control level; strictly enforce our refined management; strengthen budget management; comprehensively promote the improving of revenue generation and the minimizing of expenditure; and refine the cost control and effectively decrease the expenses of each of key link, such as the corporate operations and the operations of the port. Meanwhile, we will firmly focus on: the development of our Group's main business; continuously promote the overall sales and marketing; come every effort to promote the strategy of major clients; strengthen the development and maintenance of major clients and direct clients; focus on expanding the market; extend the scope of services; optimize the model of services and further consolidate the favorable brand image of the Group in the integrated logistics services market in Xiamen port, so as to attract new routes and new sources of goods; promote the integration of port resources in a timely manner; optimize the allocation of internal resources; further gather the resources through asset reorganization to develop the core business of the port; optimize the operational environment in the port; and effectively consolidate and develop the Group's leading position in respect of the port industry in Xiamen so as to strengthen the corporate value and bring stable returns to shareholders with great efforts.

Last but not least, I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to the unrelenting trust and support of all shareholders, investors and business partners. Meanwhile, thanks to all employees for their continuing efforts and contributions in the previous year, enabling the Group in reaching a new height. In the future, with the mutual endeavors of all staff and the great supports of all shareholders, I believe that the Group will continue to grow steadily and create a new stage in ports business in Xiamen.

LIN Kaibiao
Chairman

Xiamen, the PRC
25 March 2011

For the year ended
31 December 2010
the profit attributable to
owners of the parent
amounted to approximately

RMB 325,814,000

representing an increase of
approximately **58.9%**
compared to the previous year


SHIPPING
POLAND

Management Discussion and Analysis

Industry Overview

China's foreign trade and port container business recorded a better-than-expected growth

In 2010, China's economy continued to progressively develop toward stability; in addition, China's foreign trade achieved a very strong growth which was better than expected. According to the relevant information released by the National Bureau of Statistics of the PRC, the total import and export volume of goods for the PRC in 2010 increased by about 34.7% to approximately USD2,972.8 billion as compared to 2009. Out of this amount, exports of goods for the whole year increased by about 31.3% to approximately USD1,577.9 billion. Imports of goods increased about 38.7% to approximately USD1,394.8 billion. The growth rates of the imports and exports both reached record highs, and after balancing imports and exports, the cumulative trade surplus for the year was USD183.1 billion. Correspondingly, benefiting from the rapid growth of foreign trade, China's port production business also continued to improve. In 2010, China's port cargo throughput was approximately 8.02 billion tonnes, representing an increase of approximately 16.1% compared with the previous year; whereas the port container throughput was approximately 145 million TEUs, representing an increase of approximately 20.0% compared with the previous year, which has fully recovered to the level before the outbreak of the international financial crisis, and climbed to record high.

Foreign trade of Fujian and ports in Xiamen

Benefiting from the resumed growth of the global economy and the strong growth of China's macroeconomy, Fujian Province's economy has also shown robust growth trend. In addition, Mainland China and Taiwan officially signed an ECFA for both sides of Taiwan Straits on 29 June 2010, which came into effect on 12 September 2010, the ECFA further promoted free trade connection and development of Mainland China, especially between the Economic Zone on the Western Coast and Taiwan. Based on the data provided by Fujian Provincial Government, the gross domestic product of Fujian Province in 2010 amounted to approximately RMB1,435.7 billion, representing an increase of approximately 20.1% over the previous year. The total value of exports and imports of foreign trade was approximately USD108.8 billion, representing a year-on-year growth of approximately 36.6%. Port cargo throughput accounted for about 331 million tonnes, representing an increase of approximately 7.5% over the previous year, while container throughput achieved approximately 8.67 million TEUs, representing an increase of approximately 21.1% over the previous year.

In 2010, the State Council of the PRC approved the presence of Xiamen Special Economic Zone extending to the whole administrative area of the city, which further expanded the development space of the city and the port. Meanwhile, the integration of Xiamen port and centralized administration of customs and port were further deepened, Xiamen port and Zhangzhou port achieved full integration of resources, Xiamen port expanded from eight port areas to twelve port areas, these four port areas (Gulei, Dongshan, Yunxiao and Shao'an) which originally belonged to Zhangzhou port (currently such port areas are not engaged in container handling business) were consolidated to Xiamen port, and deep water coastline increased 27 km, creating conditions to further optimize the port function layout. Furthermore, on 10 December 2010, the First Stage Construction of Xiamen Haicang Bonded Port Area commenced customs-closing operations formally. It became the first customs-closing bonded port area of the Western Coast, and currently it is also one of the special customs supervision regions with the highest degree of openness, the most complete functions, the most preferential policies, and the most convenient customs clearance. All of these have enhanced the

international competitiveness of Xiamen port so as to further promote the continuous development of port business. In 2010, benefiting from the good economic situation at home and abroad and the rapid recovery of the port shipping business, the total container throughput of Xiamen port was 5.824 million TEUs, representing a growth of approximately 24.4% over the previous year. Exceeding the level of container throughput in 2008 and reaching a record high, Xiamen port has remained in the 7th place in terms of container throughput of the ports in Mainland China, accounting for approximately 67.2% of the total container throughput in Fujian Province.

Business Review

For the year ended 31 December 2010, the Group was principally engaged in port terminal businesses in relevant terminals at the Dongdu and Haicang port areas in Xiamen, including container ports operation, bulk/general cargo ports operations and ancillary value-added port services. In addition, the Group also operated the manufacturing, processing and selling of building materials as well as the trading of industrial products (such as steel and chemical raw materials).

Scale of operations

For the year ended 31 December 2010, the Group operated five terminals with a total of 16 berths for international and domestic containers and bulk/general cargo, with a total berth length of approximately 3,761 metres and a depth alongside ranging from 9.9 metres to 17.5 metres. The area is able to accommodate vessels of up to 100,000 dwt and has a maximum carrying capacity of 12,000 TEUs. At the same time, the Group had a large area for warehousing facilities (depot/ warehouse) and relevant auxiliary facilities both inside and outside the terminal areas.

Management Discussion and Analysis

Among others, the Group operated four international container terminals, namely, the Haitian Terminal with seven berths (Dongdu berths No. 5 to No. 11) in the Dongdu port area, the XICT with two berths (Haicang berths No. 2 and No. 3) in the Haicang port area, the Hairun Terminal with two berths (Haicang berths No. 4 and No. 5) in the same Haicang port area, and the XHICT (Haicang berth No. 1, which has completed construction and has commenced operations in unification with XICT), also in the Haicang port area.

In addition, the Group also operated 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 of both international and domestic trade, and container loading and unloading in respect of domestic trade.

Container port business

During the year under review, a container throughput of 3,788,283 TEUs was achieved by the Group with the details as follows:

	Container throughput		
	2010 (TEUs)	2009 (TEUs)	Increase
The Haitian Terminal, Hairun Terminal and berth No. 1 of Dongdu Terminal of the Group (international and domestic trade)#	2,647,885	2,109,511	25.52%
XICT and XHICT (international trade)*	1,140,398	938,009	21.58%
Total throughput	3,788,283	3,047,520	24.31%

During the year under review, Hairun Terminal leased and operated berth No. 6 in Haicang port area of Xiamen port due to the needs of business development, and therefore, for the purpose of operation information set out herein, the related operating figures of Hairun Terminal also contains the information of berth No. 6 in Haicang port area of Xiamen port, which are consolidated in the calculation.

* XICT is a jointly controlled entity between XHPC, one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through XHPC, 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 set out herein, such as those in relation to TEUs and cargo throughput, the Group has included 100% of XICT's figures. In addition, since 1 September 2008, due to the commencement of operations in unification between XICT and XHICT, the relevant operation information of XICT also contains the information of XHICT, which are consolidated in the calculation.

During the reporting period, benefiting from continuing recovery of the global economy and trade as well as rapid growth of China's macro-economy, the container throughput of the Group has rebounded rapidly with an increase of approximately 24.31% over the previous year, which has exceeded the throughput level before the outbreak of the financial crisis, enabling the Group's container port business to maintain a fundamentally stable market share in 2010. Among others, the Group's international trade container transshipment business and the container ports business along Taiwan routes recorded strong growth during the year of 2010, among which the international trade container transshipment volume reached about 309,000 TEUs with an increase of approximately 102.2% over the previous year. Meanwhile, the container throughput along Taiwan routes also reached 242,000 TEUs with an increase of approximately 54.5% over the previous year, enabling us to create a great market advantage of providing international trade container transshipment and related services for Taiwan clients in Xiamen port.

Bulk/general cargo port businesses

In 2010, the bulk/general cargo throughput handled by the Group in the whole year amounted to 6,235,964 tonnes with the details as follows:

	Bulk/general cargo throughput		
	2010 (Tonnes)	2009 (Tonnes)	Increase
Berths No. 2 to No. 4 of Dongdu Terminal*	5,685,867	4,967,795	14.45%
XICT and XHICT	550,097	365,539	50.49%
Total throughput	6,235,964	5,333,334	16.92%

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

During the reporting period, the Group's bulk/general cargo port businesses maintained a solid growth, representing an increase of 16.92% as compared with the previous year, of which, the throughput of Dongdu Terminal increased by 14.45%. The main reason for such increase was the significant increase of import volume of stone blocks with a higher tariff. The export business of river sand with a lower tariff significantly decreased due to factors such as the handling charges competitions from other terminals and the substantial decrease of export volume resulting from the

Management Discussion and Analysis

price increase of natural sand, but the impact of the decrease in river sand business to the Group's throughput has been effectively offset by the newly increased business volume after Dongdu Terminal leased some parts of the berth No. 8 in Haicang port area for the purpose of operation. In addition, the general cargo business of XICT during the year comprised mainly of steel business, which significantly increased during the year with the business volume outpacing expectation, resulting in the throughput of general cargo of XICT increasing significantly by 50.49% in 2010.

Ancillary value-added port services

During the reporting period, the Group continuously implemented the overall sales and marketing strategy, actively developed the ancillary value-added port services (such as shipping agency, tallying, tugboat berthing and unberthing and port-related logistics services) and fully leveraged the system linkage between such businesses and the Group's terminal loading and unloading businesses. The Group continuously improved the quality of "one-stop" port services through information sharing, flexible cooperation, workflow simplification and active innovation. The Group effectively improved the external competitiveness of its port businesses, realizing the joint increase of the Group's ancillary value-added port services and terminal loading and unloading businesses. During the year under review, the Group actively developed the hinterland of the sources of goods in ports and expanded its sources of goods in the inland such as North Fujian, Hunan and Jiangxi via various methods including sea-rail joint transportation and "land-based port" construction. The Group has also established new business network points in Jingdezhen and Shangrao of Jiangxi Province and Changsha of Hunan Province, respectively to continuously perfect business networks. The Group's modern logistics businesses such as cargo consolidation and bonded logistics businesses developed successfully in 2010. The Group's on-site assembly and warehouse tenancy businesses in the Park increased by 35% and 12% respectively as compared with those of the previous year. The three warehouses in the Park reached their business saturation in principal. The newly built bonded warehouse No. 7 in the Park will be completed in the near future, and we are currently building the bonded warehouse No. 2 without delay and continually planning the new construction of the bonded warehouses No. 4 and No. 5.

Trading business of industrial products

During 2010, pursuant to the Group's overall business development blueprint and adhering to the operation philosophy of combining port and trade, the Group's trading business of industrial products mainly comprised of domestic trading agency business operations for large scale commodities. Based on the further improvement of internal management system and strict control of risks relating to matters such as accounts receivables and taking advantage of the Group's port business, the Group prudently developed the trading business with direct driving force for the increase of port throughput by using the Group's port terminal and its ancillary service system as a platform.

Financial Review

Revenues

Revenues from the Group increased by approximately 8.5% from approximately RMB2,065,904,000 for the year ended 31 December 2009 to approximately RMB2,241,717,000 for the year ended 31 December 2010. The increase was primarily due to the increase in the Group's container loading and unloading and storage business, bulk/general cargo loading and unloading business, ancillary value-added port services, and partially offset by a decrease in revenue generated from manufacturing and selling of building materials and trading of industrial products.

Revenue by business sector

	For the year ended 31 December		
Business	**2010 (RMB'000)**	2009 (RMB'000)	Increase/ (decrease)
Container loading and unloading and storage business	768,518	630,721	21.8%
Bulk/general cargo loading and unloading business	168,707	122,354	37.9%
Ancillary value-added port services	576,751	492,853	17.0%
Manufacturing and selling of building materials	227,560	283,099	(19.6%)
Trading business of industrial products	500,181	536,877	(6.8%)
Total	2,241,717	2,065,904	8.5%

The reasons for the change of revenue of each business sector for the year ended 31 December 2010 compared with the year ended 31 December 2009 are as follows:

1. The container throughput of the Group for the year ended 31 December 2010 was approximately 3,229,488 TEUs (including 51% of XICT's throughput under proportional consolidation method), representing an increase of approximately 24.8% compared with 2009. As a result, the revenue of container loading and unloading and storage business increased.

2. The Group's total bulk/general cargo throughput increased, especially, the throughput of cargos with a higher tariff, including stone blocks, zircon sand, soy and etc., significantly increased, which resulted in the increase of the average tariff and also the revenue of the bulk/general cargo loading and unloading business.

Management Discussion and Analysis

3. The cargo throughput handled by ports of Xiamen increased, which led to the increased revenue of the ancillary value-added port services of the Group.

4. Due to the unfavourable influence of fierce competition and shrinking demand of the market, the sales volume and sales price of concrete decreased, which led to the decrease of the revenue generated from manufacturing and selling of building materials of the Group.

5. The Group initiatively controls the scope of trading business to manage the trading business risk, which resulted in the slight decrease of the revenue of the trading of industrial products.

Cost of sales

Cost of sales increased by approximately 3.0% from approximately RMB1,628,064,000 for the year ended 31 December 2009 to approximately RMB1,676,716,000 for the year ended 31 December 2010. The increase was primarily due to the increases in employee benefits expense, fuel and electricity expense, transportation and labor outsourcing cost, and business tax and related taxes, which was partially offset by the decrease in cost of trading commodities.

— Employee benefits expense increased by approximately 14.5% from approximately RMB322,900,000 for the year ended 31 December 2009 to approximately RMB369,660,000 for the year ended 31 December 2010. The increase was mainly due to the increase in the Group's port loading and unloading and ancillary value-added port business which resulted in an increase in benefit expenses for performance-based employees, and the proper improving of the expenditure level of employee benefits by the Group.

— Fuel and electricity expense increased by approximately 38.1% from approximately RMB89,849,000 for the year ended 31 December 2009 to approximately RMB124,125,000 for the year ended 31 December 2010. The increase was primarily due to the increase in the Group's port loading and unloading and ancillary value-added port business and the increase in fuel price.

— Cost of transportation and labor outsourcing increased by approximately 14.9% from approximately RMB99,491,000 for the year ended 31 December 2009 to approximately RMB114,279,000 for the year ended 31 December 2010. The increase was primarily due to the increase in the Group's container and bulk/general cargo throughput.

— Business tax and related taxes increased by approximately 20.6% from approximately RMB56,000,000 for the year ended 31 December 2009 to approximately RMB67,558,000 for the year ended 31 December 2010. The increase was primarily due to the increase in revenue generated from the Group's port loading and unloading and ancillary value-added port business.

— Cost of trading commodities decreased by approximately 9.5% from approximately RMB522,792,000 for the year ended 31 December 2009 to approximately RMB473,150,000 for the year ended 31 December 2010. The decrease was mainly due to the Group's initiated shrinking of the scope of trading business, which led to the decline of volume of industrial products trading business and the corresponding decreases in cost of trading commodities sold.

Gross profit

In light of the foregoing reasons, the Group's gross profit increased by approximately 29.0% from approximately RMB437,840,000 for the year ended 31 December 2009 to approximately RMB565,001,000 for the year ended 31 December 2010. Gross profit margin of the Group increased from approximately 21.2% for the year ended 31 December 2009 to approximately 25.2% for the year ended 31 December 2010. The increase in gross profit margin was due to the growing business volume of the Group's port loading and unloading and ancillary value-added port services which has a higher profit margin and their proportion of the total revenue increased from approximately 60.3% for the year ended 31 December 2009 to approximately 67.5% for the year ended 31 December 2010.

Other gains

Other gains of the Group increased by approximately 184.8% from approximately RMB15,702,000 for the year ended 31 December 2009 to approximately RMB44,718,000 for the year ended 31 December 2010. The increase was mainly due to the gains from the disposal and capital contribution of the assets of berth No. 1 in Haicang port area by the Company to XHICT in 2010.

Operating expenses

The Group's operating expenses increased by approximately 7.0% from approximately RMB174,402,000 for the year ended 31 December 2009 to approximately RMB186,542,000 for the year ended 31 December 2010. The increase was primarily due to the increase in the Group's employee benefit expenses for the year ended 31 December 2010.

Operating profit

The Group's operating profit increased by approximately 42.4% from approximately RMB322,821,000 for the year ended 31 December 2009 to approximately RMB459,728,000 for the year ended 31 December 2010. The Group's operating profit margin increased from approximately 15.6% for the year ended 31 December 2009 to approximately 20.5% for the year ended 31 December 2010, which was mainly due to the significant increase in gross profit margin and other gains as explained above.

Income tax expense

The Group's income tax expense increased by approximately 32.7% from approximately RMB39,588,000 for the year ended 31 December 2009 to approximately RMB52,528,000 for the year ended 31 December 2010. The increase was mainly due to the increase in the Group's overall profits and the rise in income tax rate. The Group's applicable income tax rate (except for the Company, XICT and XHICT) increased from 20% for the year ended 31 December 2009 to 22% for the year ended 31 December 2010.

Management Discussion and Analysis

Profit for the year

The Group's profit for the year increased by approximately 49.8% from approximately RMB271,183,000 for the year ended 31 December 2009 to approximately RMB406,121,000 for the year ended 31 December 2010, which was primarily due to the increase in operating profit. The Group's profit margin increased from approximately 13.1% for the year ended 31 December 2009 to approximately 18.1% for the year ended 31 December 2010, which was mainly due to the increase in operating profit as explained above.

Total comprehensive income for the year

Total comprehensive income for the year increased by approximately 5.1% from approximately RMB343,180,000 for the year ended 31 December 2009 to approximately RMB360,789,000 for the year ended 31 December 2010, which was due to the increase of profit for the year netting off by a loss of fair value as a result of the drop in the market value of available-for-sale financial assets held.

Total comprehensive income for the year attributable to non-controlling interests

Total comprehensive income for the year attributable to non-controlling interests increased by approximately 21.5% from approximately RMB66,092,000 for the year ended 31 December 2009 to approximately RMB80,307,000 for the year ended 31 December 2010, which was primarily due to the increase in profit of the Group's non-wholly owned subsidiaries.

Total comprehensive income for the year attributable to owners of the parent

Total comprehensive income for the year attributable to owners of the parent increased by approximately 1.2% from approximately RMB277,088,000 for the year ended 31 December 2009 to approximately RMB280,482,000 for the year ended 31 December 2010. The increase was mainly due to the increase in profit for the year, which was partially offset by fair value loss for available-for-sale financial assets held.

Accounts and notes receivable

The Group's net accounts and notes receivable decreased from approximately RMB591,129,000 as at 31 December 2009 to approximately RMB581,679,000 as at 31 December 2010. The decrease was primarily due to strengthening management of accounts and notes receivable in trading business of industrial products by the Group and shortening the collection period, which was partially offset by the increased balance of the receivables for the freight fee paid on behalf of customers relating to ancillary value-added port services.

As at 31 December 2010, the Group's gross accounts and notes receivable were approximately RMB612,997,000, of which approximately RMB512,113,000 accounts and notes receivable were aged within six months, accounting for approximately 83.5% of the total accounts and notes receivable, approximately RMB40,328,000 were aged between six months to one year, approximately RMB21,029,000 were aged between one year to two years, approximately RMB22,576,000 were aged between two years to three years and approximately RMB16,951,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable decreased by approximately 3.0% from approximately RMB701,071,000 as at 31 December 2009 to approximately RMB680,365,000 as at 31 December 2010. This was primarily due to the decrease of notes payable by approximately 23.1% from approximately RMB278,654,000 as at 31 December 2009 to approximately RMB214,161,000 as at 31 December 2010 as a result of reduction of the Group's trading business, which was partially offset by the increased balance of the payables for the freight fee paid on behalf of customers relating to ancillary value-added port services.

As at 31 December 2010, the Group's accounts and notes payable within one year were approximately RMB677,805,000, accounting for approximately 99.6% of the total accounts and notes payable and due over one year were approximately RMB2,560,000, accounting for approximately 0.4% of total balance.

Borrowings

The Group's borrowings increased from approximately RMB384,753,000 as at 31 December 2009 to approximately RMB392,228,000 as at 31 December 2010, which was primarily due to the increase in bank loan of XHICT, the Company's jointly controlled entity, to finance the purchase of port facilities.

As at 31 December 2010, borrowings due within one year were approximately RMB104,486,000, due within one to two years were approximately RMB8,793,000, due within two to five years were approximately RMB29,125,000 and due over five years were approximately RMB249,824,000.

Management Discussion and Analysis

As at 31 December 2010, the Group's guaranteed loan was approximately RMB71,970,000, which was guaranteed by a state-owned bank. In addition, the Group's secured loans were approximately RMB26,298,000, which were secured by the letters of credit.

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 the year ended 31 December 2010 and 2009 respectively:

	2010 RMB'000	2009 RMB'000
Net cash generated from operating activities	644,079	505,471
Net cash used in investing activities	(64,224)	(124,070)
Net cash used in financing activities	(228,995)	(419,358)
Net increase/(decrease) in cash and cash equivalents	350,860	(37,957)
Cash and cash equivalents at beginning of year	806,557	844,665
Exchange losses on cash and cash equivalents	(3,113)	(151)
Cash and cash equivalents at end of year	1,154,304	806,557

Operating activities

The Group's net cash generated from operating activities increased by approximately 27.4% from approximately RMB505,471,000 in 2009 to approximately RMB644,079,000 in 2010. The main reasons for the increase in net cash of operating activities included the increase in net cash generated from operations of approximately RMB134,702,000 in 2010, the decrease in interest paid of approximately RMB12,609,000 and the increase in income tax expense paid of approximately RMB8,703,000.

Investing activities

The Group's net cash used in investing activities decreased from approximately RMB124,070,000 in 2009 to approximately RMB64,224,0000 in 2010. The cash outflow in investment activities in 2010 was mainly due to approximately RMB219,314,000 paid for the purchase of properties, plants and equipments (including tugboats) for the year. The cash inflow from investing activities in 2010 was mainly due to the cash of RMB95,431,000 received from the disposal of assets.

Financing activities

The Group's net cash used in financing activities decreased from approximately RMB419,358,000 in 2009 to approximately RMB228,995,000 in 2010. The net cash used in financing activities in 2010 was primarily due to the cash outflow of borrowings repayment of approximately RMB158,810,000 and dividends paid in the year of approximately RMB264,143,000, partially offset by the cash inflow of approximately RMB168,518,000 from the newly borrowed loans, and the cash injection of approximately RMB25,190,000 by the joint venture partner of XHICT.

Capital expenditure

The Group's capital expenditures in 2009 and 2010 primarily included expenditures on port terminal infrastructure and purchase of equipments, machineries and land use rights. The following table sets out the Group's capital expenditure in 2010 and 2009:

	2010 RMB'000	2009 RMB'000
Total capital expenditure	155,916	230,250

Capital expenditure commitments

As at 31 December 2010, the Group's capital expenditure commitments were approximately RMB113,188,000, which primarily consisted of construction expenditure for the first phase of the project of Haicang port area as well as expenditures on the construction of logistics warehouses and purchases of equipments and other machineries.

Net debt to equity ratio

As at 31 December 2010 and 2009, the Group is in net cash position.

	2010 RMB'000	2009 RMB'000
Total borrowings	392,228	384,753
Less: Cash and cash equivalents	(1,154,304)	(806,557)
Net cash	(762,076)	(421,804)
Total equity	4,867,146	4,787,853
Total capital	4,105,070	4,366,049
Net gearing ratio (%)	-18.56%	-9.66%

Management Discussion and Analysis

The Group's net debt to equity ratio changed from approximately -9.66% in 2009 to approximately -18.56% in 2010, which was primarily due to the increase of cash and cash equivalents resulted from the increased profit.

Contingent liabilities

As at 31 December 2010, the Group had no significant contingent liabilities.

Employment, training and development

As at 31 December 2010, the Group had a total of 5,457 employees, representing a decrease of 64 employees over 31 December 2009. During the year of 2010, total staff costs accounted for approximately 20.8% of the Group's revenue. During the year under review, the Group actively promoted remuneration system reform to further improve the corporate incentive and restraint mechanisms. Employees' remunerations included basic salary, other allowances and performance-based bonus, which are determined by their job nature, and individual performance, experience and the prevailing practices of the industry. Employees may be offered performance-based bonus or awards according to the Group's annual operating results and the assessment results of their performance. The payment of rewards is an impetus to motivate each employee. The Group's remuneration policy is reviewed on a regular basis.

Other Events

On 8 July 2010, Xiamen Port (Group) Haitian Container Terminal Co., Ltd, a subsidiary of the Company, transferred its 25% equity interest in Xiamen Port Haicang Container Inspection Services Co., Ltd (廈門港海滄集裝箱查驗服務有限公司), its wholly-owned subsidiary, to Xiamen Haicang Bonded Port Area Investment Construction Management Co., Ltd. (廈門海滄保稅港區投資建設管理有限公司) at a consideration of RMB250,000, the relevant industrial and commercial change registration formalities have been completed.

Subsequent Events

On 20 January 2011, XPD, a subsidiary of the Company, signed Sanming Lugang Logistics Limited Company (三明陸港物流有限公司) Joint Venture Contract with Fujian Province Sanming Modern Logistics Industry Development and Construction Co., Ltd (福建省三明現代物流產業開發建設有限公司), pursuant to which a joint venture of Sanming Lugang Logistics Limited Company (三明陸港物流有限公司) will be established by both parties to jointly invest, construct and operate Sanming Lugang (三明陸港) and to manage domestic and international freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution, and logistics information consulting services. The registered capital of the joint venture company is RMB10 million, XPD has 80% interest in the joint venture company. On 27 January 2011, the joint venture company was formally established, and the relevant industrial and commercial registration formalities have been completed.

Prospects

The year of 2011 started the Twelfth Five-year Plan of China. According to the Chinese government's analysis, the world economy is hopeful to be on the way for continuous recovery in 2011. In order to strengthen and expand the achievements gained from responses to international financial crisis and to maintain stable and rapid economic growth, China will implement active fiscal policies and stable monetary policies, and will also enhance the relevance, flexibility and effectiveness of macro-economic control. However, the world economy structure is undergoing deep and complex changes as the profound impact of the international financial crisis. China's economic growth is still confronted with various internal and external uncertain factors, such as uncertainties of the economic growth of Europe, America and Japan, increasing international trade frictions, accelerated pace of RMB appreciation, surging resource prices, raised costs of labors and other factors. All of the above-mentioned factors will affect the competitiveness of Chinese domestic enterprises, and will impact China's foreign trade and economic growth correspondingly. After taking into account all the factors, the Chinese government forecasts that the growth rate of its national economy will be approximately 8% in 2011, and the Fujian provincial government and Xiamen municipal government forecast that their local national economy will grow by approximately 12% and 15% respectively, and the growth rates of the exports of Fujian province and the imports and exports of Xiamen city will be approximately 8% and 14% respectively. The national economy will strive to realize steady and rapid growth, which will lay solid foundation for sustainable development of Xiamen port and port business. On the other hand, relevant berths from No. 14 to No. 19 in Haicang port area in Xiamen port invested by relevant carriers will be put into operation in 2011, which will have certain influence on the Group's container business growth. The changes of tax rates of XICT and XHICT under the Group during the tax holiday will have slight impact on the net profit of the Group.

Based on the above forecasts of the economic and trade trends in 2011, the Company expects that the development of port business will face favorable market opportunities as well as various challenges in 2011, whereas the overall situation will be very complex. The Company holds a cautious and optimistic attitude for the situation. Therefore, the Company will be more active and aggressive in 2011. The Company will focus on the core port business, take effective measures to respond to new challenges positively, grasp market opportunities, strive to create sound performances, and safeguard and promote the overall interests of shareholders effectively. The Group plans to implement the following measures in 2011:

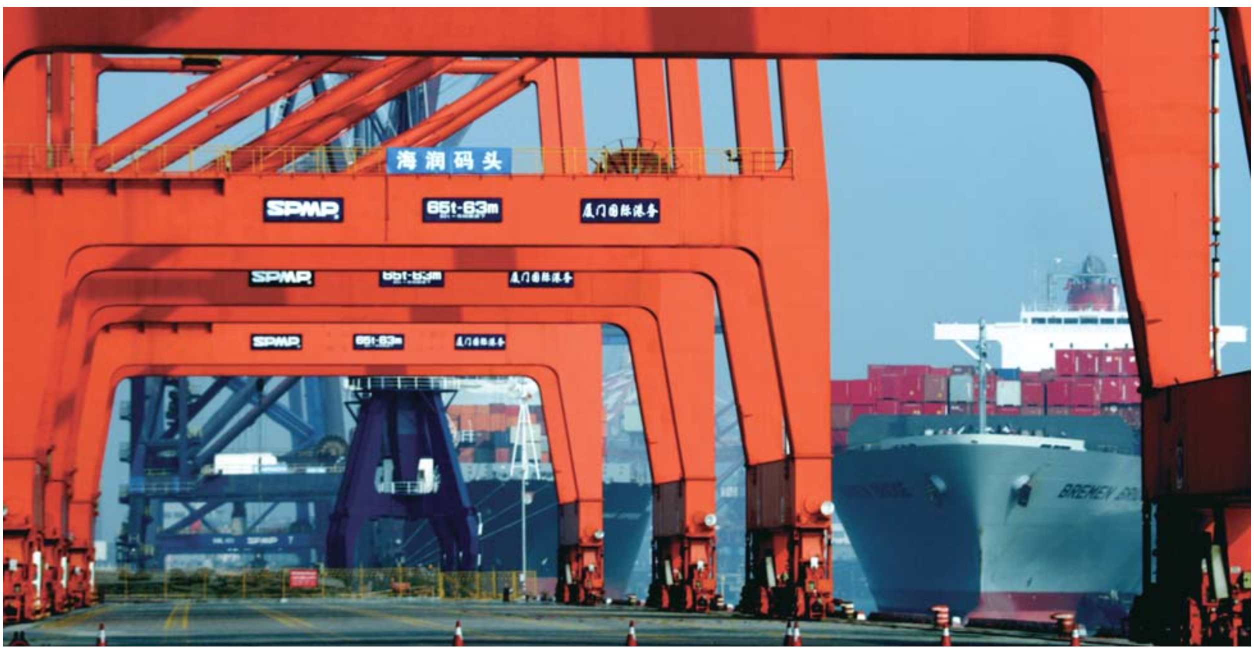
- To further facilitate the implementation of the overall sales and marketing strategy. The Group will focus on its principal port business, and flexibly allocate logistic resources of all parties in the port, as well as enhance strategic synergy, optimize operation model, improve the synergy and fully take advantage of the overall business chain, so as to improve the external competitiveness of the enterprises under the Group. The Group will fully implement the marketing with a focus on the strategy of "big clients", further reinforce service philosophy, enhance communication and liaison, strive to cultivate the customer loyalty, and continuously strengthen the brand favorite of the Group.

- To deepen the strategic cooperation with shipping companies. The Group will proactively promote the Company to the headquarters of shipping companies, further strengthen the strategic cooperation with big shipping companies, complement advantages between each other, provide extended service and focus on various businesses such as development of container ocean shipping trunk line and international container transshipment so as to strive to optimize the structure of shipping routes. The Group will further improve the service level of various shipping routes in an effort to satisfy the service demand from shipping companies, provide the core shipping companies with personalized services, maintain the customers' benefits with all their strength and demonstrate the Group's core competitiveness with high quality service so as to attract shipping companies to develop new shipping routes, increase new liners and increase the frequency of liners.

Management Discussion and Analysis

- To enhance freight sources development. The Group will proactively provide the cargo owners with more convenient and quality services, further strengthen customers' analysis, and expedite the customers' structural adjustment. The Group will selectively develop medium and small immediate customers and strive to design port logistics solutions for quality customers while deepening the strategy of big clients and strengthen the development of big clients. The Group will improve the structure of freight sources, enhance the basic freight sources, stabilize the development of freight sources, proactively acquire the high-value freight sources, improve service quality, and vigorously develop comprehensive freight business so as to provide the customers with comprehensive and high-tech freight forwarding services throughout the whole journey. The Group will strengthen the construction of land-based ports, proactively construct the sea-rail joint transportation business network, further expand the freight corridor and strengthen the effect of brand credibility and bring such effect into play.

- To make efforts in promoting the stable growth of container business. Firstly, the Group will place emphasis on market research, strive to grasp the opportunity arising from the development trend of container business of Xiamen port, implement the resource consolidation of ports in Xiamen according to the actual situation and formulate advanced market deployment, so as to optimize the overall operation environment of the port and ensure the Company's long-term development. Secondly, the Group will strive to respond to market change, expand new container shipping routes, strive to reduce the impact of commencing operation of relevant berths in the Haicang port area to the Group's container business growth and enhance the port coordination, so as to avoid the price war arising from commencement of operation of new terminals. Thirdly, the Group will promote the continuous rapid growth of the domestic trade container business, capitalize on the booming domestic demands driven by China's economic stimulus policy and seize the good opportunity to develop domestic trade container business, so as to further improve and optimize its route network of domestic trade container business, and facilitate the joint development of both the domestic and foreign trade container businesses.



- To scientifically plan the space to develop bulk/general cargo business. The Group will continue to promote the migration of the relevant business like stone and steel business in Dongdu Terminal, strengthen customs and port coordination, improve the basic supporting equipment and facilities, and proactively create conditions to enhance the space to develop businesses like stone business. The Group will further take advantage of the good location of berth No. 8 in the Haicang port area, conduct the organization of freight sources of cement products and steel well and capture the opportunity to develop domestic trade bulk/general cargo business.

- To seize the opportunity to develop business of shipping routes across the Taiwan Straits. The Group will closely follow up ECFA and its finalization of promoting its early harvest program for trade in goods and the development of expanding cross-strait import and export trade, strengthen communication and cooperation with Taiwan shipping companies, take the initiatives in seeking and capturing the opportunity to develop the cross-straits port business, proactively develop the container business in Taiwan shipping route, and further consolidate and develop the service advantages of the Group to Taiwan.

- To promote faster development of bonded logistics business. Firstly, the Group will promote the business development of bonded warehouse No. 7 in the Park after its commencement of operation, further expedite the construction process of bonded warehouse No. 2 in the Park and prior construction work of bonded warehouses No. 4 and No. 5. Secondly, the Group will take the initiatives in capturing the opportunity to develop the bonded logistics business in the Haicang Bonded Port Area, further coordinate with authorities such as customs/inspection and quarantine in port, make suitable measures according to local conditions, make full use of preferential policies for the bonded port area, create innovative business models, improve workflow, and proactively expand bonded logistics business so as to promote the increase in the throughput of the terminal.

- To continue the enhancement of its refined management. Firstly, the Group will regulate and improve the internal control system, engage a professional and experienced audit institution to review the internal control system of the company and help the Company to improve the internal control level. Secondly, the Group will finalize a better management efficiency, increase revenue and save expenses, strictly control costs, continue to refine the process of cost management, enhance cost control and optimization capabilities, and strive to control operating costs of the Group in a more reasonable level. Thirdly, the Group will promote energy conservation and consumption reduction by making rational adjustment and scheduling for equipments, establish scientific production technology and process, make efforts to reduce energy consumption, proactively implement energy-saving technological transformation, finalize reduction of energy consumption, and focus on speeding up the implementation of the projects such as "Electrification" of Rubber-tye Gantry in Hairun Terminal.

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

For the year ended
31 December 2010
the earnings per share for
profit attributable to owners
of the parent (basic and diluted)
amounted to approximately

RMB 11.95 cents.

representing an increase of
approximately **58.9%**
compared to the previous year


TRITON
SYMS
CAI
SITC
AMFICON
SYMS
烟臺海運

Corporate Governance Report

The corporate governance framework of the Company aims to ensure that the Company has implemented and maintained high standards of corporate conduct. The Board firmly believes that good corporate governance is the core in managing an organization properly, which enhances the transparency of the Company's business and enables accountability towards the shareholders and fulfills the expectations of the shareholders as well as other stakeholders, resulting in the ultimate success for the Company.

The Company has adopted the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules as the code on corporate governance practices of the Company.

With reference to the Corporate Governance Code, this report elaborates the corporate governance practices of the Company for the Reporting Period and covers the information in respect of the mandatory disclosure requirements and most of the recommended disclosures set out under Appendix 23 of the Listing Rules. The Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code throughout the Year. The Company's compliance with the Corporate Governance Code is set out in the following sections.

THE BOARD

The Board is accountable to shareholders and it is achieved on the principle of maximizing the Company's profits, the corporate values as well as the returns for shareholders. Under the leadership of the Company's Chairman and the requirements of the Articles, the Board is collectively responsible for formulating the Group's development strategies and management goals and monitoring the Group's performance, and hence realizing the stable business return in a long run.

DIRECTORS

The Board of the Company is comprised of twelve Directors. As at the date of 31 December 2010, the Directors are as follows:

Executive Directors:
Mr. ZHENG Yongen
Mr. CHEN Dingyu
Mr. FANG Yao
Mr. HUANG Zirong
Ms. HONG Lijuan

Non-executive Directors:
Mr. FU Chengjing
Ms. MIAO Luping
Mr. LIN Kaibiao
Mr. KE Dong

Independent Non-executive Directors:
Mr. HUANG Shizhong
Mr. ZHEN Hong
Mr. HUI Wang Chuen

SUPERVISORS

The Supervisory Committee of the Company is comprised of six Supervisors, of which two are staff representative Supervisors. As at the date of 31 December 2010, the Supervisors are as follows:

Supervisors:
Mr. FANG Zuhui
Mr. LUO Jianzhong
Mr. WU Jianliang
Mr. WU Weijian
Mr. TANG Jinmu
Mr. HE Shaoping

The biographical details of the above Directors and Supervisors are set out on pages 52 to 60 of this annual report and on the Company's website at http://www.xipc.com.cn.

The Board of the Company is comprised of 5 Executive Directors, 4 Non-executive Directors and 3 Independent Non-executive Directors, forming a well-balanced composition. All members of the Board possess professional skills required for performing their duties as well as extensive experience in operation and management and perform their duties honestly, faithfully and diligently. The Company is in the view that the Board is highly capable and iconic with the ability to make more prudent and detailed decisions, and monitor the management team with a high-level of professionalism.

All Independent Non-executive Directors have confirmed their independence during the Reporting Period with the Company in accordance with Rule 3.13 of the Listing Rules. Based on their respective confirmations, the Board is satisfied that, as at the date of this report, all Independent Non-executive Directors have the status of independence as defined in the Listing Rules.

For the Year, the Company has complied with the requirements of Rule 3.10 of the Listing Rules, and hence appointed at least three Independent Non-executive Directors, including one Independent Non-executive Director with appropriate professional qualifications or professional skills in accounting or relevant financial management.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leading and monitoring the Group and is devoted to 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

Corporate Governance Report

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;
- formulating dividend policy;
- deciding on the establishment of the Company's internal management structure;
- setting the Company's basic management system;
- approving material borrowings and treasury policy; and
- undertaking major acquisitions and disposals, formation of joint ventures and entering into capital transactions.

The management of the Company 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;
- organizing and implementing Board resolutions;
- organizing and implementing the Company's annual operating plans and investment proposals;
- drawing up the establishment proposal of the Company's internal management structure;

- drawing up the Company's basic management system; and
- setting the detailed rules and regulations of the Company.

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. There is a clear division of responsibility between the Chairman and the General Manager. The Chairman is responsible for leading the Board, 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,organizing and fulfilling the functions of the Board, and inspecting the execution of Board resolutions, and hence enabling a effective operation of the Board. On the other hand, the General Manager assumes the above duties and other management duties in accordance with the Articles, and is responsible for the daily operation and management of the Company, so as to facilitate the Company to achieve its overall business targets. The Board of the Company has resolved to approve "*Regulations for the Chairman's Works*" and "*Regulations for the General Manager's Works*" of the Company, which further clarify and refine the above duties of the Chairman and the General Manager.

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. Other than that, none of the Directors and Supervisors has any personal effective interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during 2010, 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 the Company 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 and monitoring the connected transactions of the Group as well as imposing sufficient control and balance, so as to protect the benefits of the shareholders and the Company as a whole. The Company strives to facilitate full attendance of all 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 accordance with the requirements of the Articles, the Board shall convene at least four meetings every year and the Board meetings shall be convened by the Chairman. During 2010, all notices of the Company's Board meetings (together with the relevant agendas) were given at least 14 days in advance in order to facilitate maximum attendance of the Directors. In respect of extraordinary Board meetings, the meeting time, venue and the method to be adopted will be given to all the Directors at least ten days before the meeting is convened.

Every time before the meeting is convened, the Company Secretary shall draw up the matters to be submitted to the Board for consideration and determination, assist the Chairman in preparing the agenda for each Board meeting and ensuring that the agenda complies with the applicable regulations and rules of the meeting concerned. Meanwhile, all the Directors have the opportunity to include in the meeting agenda their motions. The final agenda and the documents for the Board meeting are distributed to the Directors at least three days before the meeting date, so as to ensure that they have sufficient time to review the documents concerned and are well-prepared for the meeting.

The Board meeting shall only be valid if attended by more than half of the Directors. Directors may attend the Board meeting in person or appoint, in written form, other Directors as proxies to attend the meeting on their behalf. 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 resolutions.

The Board held eight meetings during the year 2010. 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	7/1[a]	100%
CHEN Dingyu	7/1[b]	100%
FANG Yao	8/0	100%
HUANG Zirong	7/1[c]	100%
HONG Lijuan	8/0	100%
Non-executive Directors		
FU Chengjing	8/0	100%
MIAO Luping	8/0	100%
LIN Kaibiao	7/1[d]	100%
KE Dong	7/1[e]	100%
Independent Non-executive Directors		
HUANG Shizhong	7/1[f]	100%
ZHEN Hong	7/1[g]	100%
HUI Wang Chuen	6/2[h]	100%

Notes:

a Mr. ZHENG Yongen was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

b Mr. CHEN Dingyu was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

c Mr. HUANG Zirong was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

d Mr. LIN Kaibiao was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

e Mr. KE Dong was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

f Mr. HUANG Shizhong was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

g Mr. ZHEN Hong was present in seven of the eight Board meetings, and the remaining Board meeting was attended and voted on his behalf by another authorized Director during his business trip.

h Mr. HUI Wang Chuen was present in six of the eight Board meetings, and the remaining two Board meetings were attended and voted on his behalf by another authorized Director during his business trip.

The Chairman or the Vice Chairman conducts the proceedings of the Board at all board meetings. They ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to all Directors to speak and express their views and share their concerns.

The Company Secretary is responsible for ensuring that the operation of the Board complies with procedures as required under the Company Law, the Articles and the Listing Rules, and providing the Board with recommendations on matters regarding corporate governance and regulatory compliance. The Company Secretary is also responsible for compiling and keeping the minutes of the Board meetings and meetings of each Board committee. To enable Directors to make decisions with grounds, all Directors are entitled to inspect the minutes of Board meetings and relevant materials at any reasonable time and are informed about the latest information of the Company immediately.

COMMITTEES ESTABLISHED UNDER THE BOARD

Three committees were set up under the Board in April 2005 to assist with the performance of its duties and to facilitate effective management, namely the Audit Committee, the Remuneration Committee and the Business Strategy Committee. The Board delegated certain functions to the committees, which are required to review their specific scope of functions and report to the Board with recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Corporate Governance Report

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

AUDIT COMMITTEE

During the year of 2010, the second session of 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, and was chaired by Mr. HUANG Shizhong. All members of the Audit Committee possess relevant professional skills and experiences. One of them is an Independent Non-executive Director with professional qualifications and financial management expertise. As a result, throughout the Reporting Period, the Company had been in compliance with the requirements in respect of audit committee as set out under Rule 3.21 of the Listing Rules.

The Board has adopted the terms of reference of the Audit Committee which comply with the code provisions set out in the Corporate Governance Code. The Audit Committee is mainly responsible for making recommendations to the Board in respect of the appointment and remuneration of the external auditors, reviewing and monitoring the independence of the external auditors and the effectiveness of auditing procedures, reviewing the Company's financial information, and monitoring the Company's financial reporting system and internal control procedures.

During the Reporting Period, the Company's Audit Committee held a total of two meetings, mainly for conducting the following businesses: reviewing the accounting principles and practices adopted by the Group and other material matters in respect of financial reporting; reviewing the annual report on annual results for the year ended 31 December 2009 and interim report on interim results for the six months ended 30 June 2010; reviewing the audit results presented by the auditors; discussing with external auditors in respect of any important finding and audit matter; reviewing non-exempted continuing connected transactions of the Group; re-appointment of auditors and fixing of audit fees; submitting recommendations to the Board for approval; discussing and approving the action plan for the internal audit of the Group in 2010; and reviewing the auditing procedures of the internal audit of the Company.

The members' attendance records of meetings of the second session 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	0/2[a]	100%
FU Chengjing	2/0	100%

a Mr. ZHEN Hong has authorized another Independent Non-executive Director HUANG Shizhong to vote on behalf of him because he was out for business trips during the meetings of the Audit Committee.

REMUNERATION COMMITTEE

During the year of 2010, the second session of the Remuneration Committee was chaired by Independent Non-executive Director Mr. HUI Wangchuen. Other members included Independent Non-executive Director, Mr. HUANG Shizhong, and Executive Director, Mr. CHEN Dingyu.

The Board has 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 management of the Group; to review and fix their remunerations and benefits; and to make recommendations to the Board in respect of Directors' fee and Director's annual remuneration. If necessary, the Remuneration Committee will engage a professional consultant to give assistance and/or give professional opinions in respect of relevant matters.

During the Reporting Period, the Remuneration Committee of the Company held two meetings to review and approve the Directors', Supervisors' and senior management's remunerations, including the granting of annual bonus. Before determining the remunerations and benefits (including salary and bonus), the Remuneration Committee had taken full consideration of factors such as the remuneration level of its peers in the PRC, and the time committed by, duties and personal performance of the Directors, Supervisors and senior management as well as the results of the Company. The Remuneration Committee also reviews and approves desirability of performance-based remuneration with reference to the Company's goal set by the Board from time to time.

The members' attendance records of meetings of the second session of the Remuneration Committee are as follows:

Members of the Remuneration Committee	Number of committee meetings attended in person/ by proxy	Attendance Rate
HUI Wangchuen	1/1[a]	100%
HUANG Shizhong	2/0	100%
CHEN Dingyu	2/0	100%

a Mr. HUI Wangchuen was present in one of the two meetings of the Remuneration Committee, and the other meeting was attended and voted on his behalf by another authorized Independent Non-executive Director HUANG Shizong during his business trip.

REMUNERATION POLICY FOR DIRECTORS

The remuneration policy for Directors aims to ensure that the remuneration level is competitive and effective enough to attract, retain and encourage Directors. The purpose of the remuneration policy of Non-executive Directors is to ensure that Non-executive Directors are sufficiently but not excessively compensated for their effort and time contributed to the Company and that the remunerations policy for Executive Directors is to ensure that the remuneration they received accords with their duties and basically in line with market practice. Remunerations for Non-executive Directors are paid in the form of director's emoluments, and principal elements of the remuneration package for Executive Directors include basic salary and related allowances, benefits in kind and discretionary cash bonus, pension and relevant insurance benefits. Cash bonuses for Executive Directors, as incentives for them to achieve corporate objectives, are pegged with their individual performance and the Group's operating results.

As our general practice, the Remuneration Committee submits the director 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 by the Company for the Year are set out in Note 36 to the financial statements.

BUSINESS STRATEGY COMMITTEE

During the year of 2010, the number of members of the second session of the Business Strategy Committee of the Company was increased from five to six members, including one Independent Non-executive Director, namely Mr. ZHEN Hong, three Executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FANG Yao, and two Non-executive Directors, namely Mr. FU Chengjing (Mr. FU Chengjing was newly-appointed on the 17th meeting of the second session of the Board of the Company on 14 April 2010) and Ms. MIAO Luping, and was chaired by Mr. ZHEN Hong, an Independent Non-executive Director.

The main duties of the Business Strategy Committee are to review and consider the overall strategy and the direction of the business development of the Company, and to consider, assess and review any important investment plan, acquisition and disposal and propose them to the Board, and to perform subsequent evaluation on investment projects.

The Business Strategy Committee of the Company held one meeting in 2010 to discuss and review the strategic plan development between 2011 to 2015 of the Company. During the Reporting Period, most of its members have been 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.

The members' attendance records of meetings of the second session of the Business Strategy Committee are as follows:

Members of the Business Strategy Committee	Number of committee meetings attended in person/ by proxy	Attendance Rate
ZHEN Hong	1/0	100%
ZHENG Yongen	0/1[a]	100%
CHEN Dingyu	0/1[b]	100%
FU Chengjing	1/0	100%
MIAO Luping	1/0	100%
FANG Yao	1/0	100%

a Mr. ZHENG Yongen has authorized another member to express opinions on behalf of him because he was out for a business trip during the meeting of the Business Strategy Committee.

b Mr. CHEN Dingyu has authorized another member to express opinions on behalf of him because he was out for a business trip during the meeting of the Business Strategy Committee.

THE NOMINATION OF DIRECTORS

The Company appointed new Directors and re-elected Directors in accordance with the procedures provided in its Articles. Generally, candidates for directorship are proposed by controlling shareholders. 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 directorship of overseas listed companies; and

- compliance with the relevant requirements or provisions of the Listing Rules in respect of directorship.

In 2010, the Board of the Company has not raised any matter concerning nomination of directors in its meetings.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers Certified Public Accountants were re-appointed as the PRC and international auditors of the Company respectively at the 2009 annual general meeting held on 18 June 2010, for a term until the end of the forthcoming annual general meeting.

For the year ended 31 December 2010, the total remuneration paid and payable to the external auditors by the Company amounted to RMB2,400,000, exclusively for audit services. The Company did not pay any fees for non-audit services to the external auditors.

INTERNAL CONTROL

It has always been a primary matter for the Group to maintain a high-level control environment, therefore the Group continuously takes effort to enhance and improve the level of control. The Board of the Company assumes ultimate responsibility for the effectiveness of the internal control and risk control system. The Audit Committee shall assist the Board in conducting an annual review on the effectiveness of internal control and risk control system by auditing the mechanism and function in respect of the internal control system of the Group. The scope of such audits covers all material controls including financial, operational, compliance control and risk management functions. The review report will be examined by the Audit Committee and the relevant problems and recommendations will be discussed with external auditors, then the relevant situation will be reported to the Board by the Audit Committee. The Board is broadly satisfied with the existing internal control system of the Group and believes that the control system is adequate and effective in all material areas. It also complies with the code provisions on internal control set out in the Corporate Governance Code. Furthermore, the Board believes that there has been no significant control deficiency and major area of concern matters which may affect the shareholders so far.

The management of the Company is highly concerned about the internal control and principally takes charge of formulating, implementing and maintaining the internal control system in order to keep a good and effective control system, which in turn protects the shareholders' investments and the Company's assets effectively, and the details of such measures are as follows:

(1) Financial control

During the Reporting Period, the Group strictly complied with the relevant laws and regulations and implemented various financial systems established by the Company such as the "Interim Provisions of Asset Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis", the "Trial Methods for Tax Planning Management", and the "Basic Methods for Financial Management", so as to continuously regulate the financial management system of the Company, strictly manage the approval authority and approval procedure of financial income and expenditure, and to enhance financial management. The Group also continued to perfect its management accounting system, to provide its management with indicators to measure the financial and operational performance and to provide relevant financial information for reporting and disclosure.

The Audit Committee of the Group shall act in accordance with the responsibilities and procedures stipulated in "Regulations for Audit Committee's Works", be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group's internal control as well as the adequacy of the internal and external auditing. In order to improve the quality of financial information disclosures and perfect the internal governance, the Audit Committee has authorized one member to be responsible for the daily management of the Audit Committee and monitoring of the Company's financial and internal control on behalf of the Audit Committee, under the requirements of "Regulations for Audit Committee's Works". In 2010, the Audit Committee made recommendations to the Board in respect of matters relating to the Group's audited accounts for the year ended 31 December 2009, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2010.

The Company places great importance on the internal audit functions. The internal audit includes the examination of all of the Group's activities and the comprehensive audit of all practices and procedures, without any restrictions, and hence assists the management and the Audit Committee in ensuring an effective internal control system maintained in the Group.

Corporate Governance Report

In addition, the Group also places great importance on monitoring activities with higher risks, including trading business, accounts receivables and other special matters of concern of the management. The audit department, as the department of internal audit function in the company, is accountable to the Board and the Audit Committee takes charge of the management and conducts performance assessment. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the person in charge of the department). The relevant audit documents are issued pursuant to prescribed procedures upon the approval by authorized representatives of the Audit Committee. The person in charge of the audit department, as the head of internal audit function, can contact the Audit Committee without any restrictions, attend meetings of the Audit Committee, and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enables the independence and effectiveness of the internal audit of the Company. In accordance with the 2010 Internal Audit Plan considered and agreed by the Audit Committee and "Internal Audit Working Regulations" formulated in 2007, the Company conducted a specific audit and internal control inspection on the internal control systems or projects including constructions and inventories of the relevant entities under the Company. It has also made certain relevant recommendations on improvement in order to strengthen the internal audit function.

(2) Operational control

The Company's management and its respective departments exercise and discharge their respective power and duties in accordance with the Articles and the corporate policies of the Company, so as to safeguard the operation of the Company's business. The heads of the departments and the senior management convene management meetings periodically (once per month) to identify the market trends and changes, analyze and discuss the performance of each business segments, and respond to changes in business environment, market conditions and operation. All material matters of the Company are put forward by the management for the consideration and to be resolved by the Board or in general meetings in accordance with procedures laid down in the Articles.

The Group continues to promote computerized management of its business process. Major business operations such as the operations of its container loading and unloading business and shipping agent business are controlled and monitored by computer systems. In the year of 2010, the Group also successfully researched and developed ship dynamic and port production operation monitoring geographical information system and made installation and utilization for the Groups' terminals, so the production manager at all levels can completely and directly master the basic information of real-time development of ship and terminal operation, and improve production monitoring level of terminals. In order to ensure the stability and reliability of the computer systems, the operating systems are operated by trained professionals, checked regularly and upgraded where necessary. All the data are backed up in a timely manner, and contingency plans are drawn up for emergencies to ensure safety.

(3) Compliance control

Subject to the applicable laws and regulations, the Group has continuously regulated and improved its internal management system with regard to the management of its business transactions with outsiders. Business transactions with external parties and issues in respect of the intellectual property rights are handed in accordance with the required procedures set out in "Measures for the Administration of Examination and Approval of Contracts" of the Company in a prudent manner. The Company's logo has also been registered with the Trademark Office of the State Administration for Industry & Commerce. The Company's legal professionals and the Company Secretary participate in handling the relevant legal documents of the Company, offer advice on the legality and compliance of its major operation decisions, and work in conjunction with the respective departments in respect of the specific projects. The Company Secretary will make arrangements to consult professional legal adviser, when necessary, for opinions on specific legal matters.

The Group strictly complies with the relevant information disclosure requirements under the Listing Rules. With respect to the procedures and internal control measures for the handling and dissemination of price sensitive information, the Company fully understands its obligations assumed under the Listing Rules, and the material principle that price sensitive information should be announced immediately upon decision. The Company also understands that it shall comply with "Guide on Disclosure of Price-Sensitive Information" issued by Hong Kong Exchanges and Clearing Limited when handling relevant matters. The Company's policy includes a strict prohibition on any unauthorized use of confidential, sensitive or insider information. In addition, procedures have been established and implemented for responding to external enquiries about the Group's matters. In order to standardize information disclosure affairs of the Company, following the approval at the 21st meeting of the second session of the Board of the Company on 22 October 2010, the Company formulated and implemented the "Management System for Information Disclosure Affairs", and made specific provisions of the basic principles, content, procedure, responsibility and confidentiality measures of information disclosure affairs.

The Group emphasizes the internal control in respect of major issues, such as connected transactions. Also, the Group followed the requirements under the Listing Rules to establish and improve its control system and procedure for connected transactions. Professionals were designated by all enterprises under the Group to calculate and aggregate connected transaction information on a regular basis, and update the name list of connected parties (not a complete list). The negotiation and execution of contracts relating to connected transactions were reviewed carefully by management of appropriate grades to ensure the Group's pricing policies were followed. The contracts were submitted to the Board or the general meeting pursuant to procedures for review and approval and were disclosed to the public in a timely manner, so as to ensure that such connected transactions, as well as their decision making process and information disclosure complied with the relevant rules and regulations.

(4) Risk management

Since the establishment of the Group, it 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)", the "Measures for Appraising the Operation Results of Members of the Group", "Administration Measures Governing Subscription Money for New Shares", and "Internal Audit Working Regulations" and formulated and improved the regulation of "Invest and Management System (Trial)" in 2010. The purpose is to enhance the management of various projects including the operation and disposal of assets, major agreements, information system security, equipment procurement, new share subscription and inward/external investment, so as to regulate the operations and reduce the risks. During the Reporting Period, the Group persistently cooperated with Beijing Puxin Management Consultancy Company (北京普信管理諮詢公司) to develop a comprehensive risk management system and to further improve and perfect various business procedures and the relevant management documents, with reference to the "Comprehensive Risk Management Guidance for Central Government Enterprise" issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and on the basis of "Basic Standard for Enterprise Internal Control" and its matched guidelines issued by Ministry of Finance, National Audit Office and Securities Regulatory Commission of the PRC, which facilitate the improvement of the Group's risk prevention capability.

The management of the Company had numerous discussions regarding the effectiveness of the risk management and internal control system with relevant Directors. The Company believes that the continuous upgrade of its internal control system and the effective operation of its internal control system 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted 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 Code on terms no less than the required standards set out in the Model Code in 2006. The Code was adopted as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the consideration and approval by the Board of Directors of the Company. The Company has obtained the specific confirmations issued by all Directors, Supervisors and senior management, which confirmed that they have complied with the standards required in the Model Code and the Code in 2010, and the Company has not been aware of any violations of this kind in 2010.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2010, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and 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 accounting records which should make reasonable accurate disclosure in respect of the Group's financial position and results, and prepare the financial statements under Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

In addition, the Directors have the responsibility to take all reasonable and necessary measures to protect the Group's assets, and to prevent and detect fraud and other irregularities.

The independent auditor's report on the financial statements is set out on page 73 of this annual report.

SHAREHOLDERS' RIGHTS

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

The Company considers that the annual general meeting is a conference at which shareholders can timely communicate with the Board and senior management, and the Company encourages the shareholders to attend its annual general meeting and the other general meetings, and welcomes the shareholders to express their opinions and raise questions. 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. The Board is committed to maintaining communication with shareholders, and all directors and senior management will try their best to attend those meetings, while the Chairmen of the Board, Audit Committee and Remuneration Committee, the Business Strategy Committee and the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In order to facilitate the exercise of shareholders' rights, all independent matters will be proposed as separate resolutions at the general meetings.

The Company has been actively establishing various communication channels. Shareholders can understand in a timely manner the Company's operating conditions, announcements made and related news and information through the webpage of the Company. Shareholders are also able to make enquiries to the Board through the Company Secretary in Xiamen, the PRC or the alternate authorized representatives at the Company's principal places of business in Hong Kong.

INVESTOR RELATIONSHIP

The Company continues to promote and strengthen investor relations and communication with investors. The Company Secretary is responsible for the investor relationship of the Company as well as external information disclosure and communication. During the Reporting Period, through different channels such as individual meetings, telephone conferences and the spot inspection at the Company's terminals, the Company can maintain close communication with the media, analysts and fund managers, and the relevant executive Directors and senior management answered questions related to the Group's operating and financial performance, enabling them to understand the latest developments of the Company and to make timely responses to any inquiries.

The Company has adopted and implemented a fair, transparent and timely policy and practices of disclosure. Before any particular meeting with investors or analysts is convened, all price sensitive information or data should have been announced to the public. The company's annual and interim reports provide comprehensive information on the Group's business, business strategy and development, the disclosure of such information has been very fruitful, including our 2009 Annual Report winning the Industrial category's Outstanding Organization Award Bronze Award in 2009's annual "Vision Award" (annual report selection) which covered more than 20 countries/3,200 companies and was organized by League of American Communications Professionals, and our information disclosure level winning a good reputation in the industry. For promoting effective communication, the Company also issued in time the latest announcements of the Group as well as detailed information about the Group and the development dynamics of its new businesses by electronic means through its website www.xipc.com.cn under the requirement of the Stock Exchange. Our Company welcomes shareholders and investors to make enquiries to the Company through its webpage on Investor Relationship (the detailed means of contact are set out in the Company's website).

AMENDMENTS TO THE ARTICLES

Pursuant to the relevant replies from the State-owned Assets Supervision and Administration Commission of the State Council and Xiamen Foreign Investment Bureau, Xiamen International Airport Group Co., Ltd, the domestic share shareholder of the Company, transferred all its share interests in the Company, 18,300,000 Shares, to Xiamen Port Holding, the controlling shareholder of the Company. To accurately reflect the aforesaid changes regarding the holders of domestic shares, the 2009 Annual General Meeting of the Company held on 18 June 2010 approved by way of special resolution to make necessary amendments to the Articles about relevant articles of domestic share shareholder (details can also be referred to in the announcement and circular dated 28 April 2010 published by the Company).

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

While upholding the principles of transparency, honesty, fairness and openness, the Company will continue to maintain smooth communication channels with all circles, and to enhance the level of the operation on investor relationship, as well as continue to enhance its corporate governance standard and strive to achieve the best practice based on its past experience, regulatory changes and shareholders' feedback so as to promote the healthy development of the Company in a sustainable manner.

By Order of the Board
LIN Kaibiao
Chairman

Xiamen, the PRC
25 March 2011

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. LIN Kaibiao, aged 45, is the Chairman, an Executive Director and legal representative of the Company. He graduated in 1991 from the Dalian Maritime University with a master's degree in transportation management and engineering and is an Economist. He joined Xiamen Harbour Bureau in 1991 and worked as an instructor for engineering classes, 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 a Director and the general manager of Dongdu Terminal Company Limited as well as the Chairman and the general manager of Xiamen Dongling Company, an Executive director and the general manager of Xiamen Domestic Shipping Agency and a 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 the 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 the manager of the operations management department of Xiamen Port (Group) Co., Ltd. in June 2004 and also has been a Director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since September 2004. From March 2005 to April 2007, he was appointed as a deputy general manager of the Company and was also an Executive Director of the Company. He has been appointed as a deputy general manager of Xiamen Port Holding since February 2007.He had been re-designated as a Non-executive Director of the Company from 10 April 2007 to 28 February 2011. And he has been re-designated from a Non-executive Director to an Executive Director, the Chairman and legal representative of the Company since 28 February 2011.

Ms. MIAO Luping, aged 47, is an 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 the 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 City Road and Bridge Construction and Investment General Corporation from January 1994 to March 1999. She worked for Xiamen Luqiao Joint Stock Company Limited as the managing director from March 1999 to September 2004. She has been a Director of Xiamen Port Development Co., Ltd. ("Xiamen Port Development"), 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 the chief economist of Xiamen Port (Group) Co., Ltd. Since January 2005, she has been a Director of Xiamen Port Holding. She became the chief economist of Xiamen Port Holding in July 2005 and has been the deputy general manager and the chief economist of Xiamen Port Holding since February 2007 and also acts as the Chairman of Xiamen Guarantee & Investment Co., Ltd since July 2009. She acted as a Non-executive Director of the Company from March 2005 to 28 February 2011 and has been re-designated from a Non-executive Director to Executive Director of the Company since 28 February 2011.

Biographies of Directors, Supervisors and Senior Management

Mr. FANG Yao, aged 51, is an Executive Director and the general manager of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was a 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 a 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.

Mr. HUANG Zirong, aged 48, 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's degree in 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 a technician and deputy leader of the mechanical team of Dongdu operating area, deputy supervisor and deputy head of the harbour engineering factory from August 1983 to October 1990. He was the 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, and has been an Executive Director of Xiamen Port Haicang Container Inspection Services Co., Ltd since 20 February 2010.

Ms. HONG Lijuan, aged 47, is an Executive Director, a deputy general manager and the company secretary of the Company. She graduated from Xiamen University with a bachelor's degree in science 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 an assistant head of the environmental monitoring station of Xiamen Harbour Bureau from January 1995 to June 1998. She then became the deputy manager of the administration department of Xiamen Port (Group) Co., Ltd from June 1998 to April 2001. She was the 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; and she has been an Executive Director of the Company since 8 June 2007.

Biographies of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. ZHENG Yongen, aged 53, is a Non-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. He was the general manager of Xiamen Port Holding from July 2005 to January 2007 and has been acting as Chairman of Xiamen Port Holding since February 2007. He was also a Non-executive Director of the Company from March 2005 to 9 April 2007. He had been appointed as an Executive Director, Chairman and legal representative of the Company from 10 April 2007 to 28 February 2011 and has been re-designated from an Executive Director to a Non-executive Director of the Company since 28 February 2011.

Mr. CHEN Dingyu, aged 54, is a Non-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 captain 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 was also deputy general manager of Xiamen Port Holding from July 2005 to January 2007, and has been acting as the general manager of Xiamen Port Holding since February 2007. He had been the deputy Chairman and an Executive Director of the Company from March 2005 to 28 February 2011 and has been re-designated from an Executive Director to a Non-executive Director of the Company since 28 February 2011.

Mr. FU Chengjing, aged 49, 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 fi nance 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

Mr. KE Dong, aged 51, is a Non-executive Director of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a bachelor's degree in English. In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist. He joined Xiamen Harbour Bureau in 1982, where he was a service representative 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 became 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.

Independent Non-executive Directors

Mr. LIU Feng, aged 45, is an Independent Non-executive Director of the Company. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and then became a professor in 1997. He taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. From the year 2003 to the year 2010, he was the Independent Director of Guangzhou Baiyun International Airport Company Limited, a company listed on the Shanghai Stock Exchange. Currently, he also acts as the Independent Director of Qingdao Haier Company Limited, a company listed on the Shanghai Stock Exchange and Foshan Saturday Shoes Co., Ltd, a company listed on the Shenzhen Stock Exchange. Currently, he is a member of the Professional Responsibility Appraisal Committee of Chinese Institute of Certified Public Accountants. He also acts as an Independent Non-executive Director of the Company since 28 February 2011.

Mr. ZHEN Hong, aged 53, is an Independent Non-executive Director of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a bachelor's degree in port mechanics and a master of engineering degree in transportation management and engineering in 1988, and a doctor of science degree in management science and engineering from Fudan University in 1998. He was the head of the management department and then the registrar of Shanghai Maritime University. Currently, he is a professor and supervisor of doctoral candidates in communication and transport planning and management of Communication and Transportation College of the Shanghai Maritime University, the general secretary of Shanghai International Shipping Research Center 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 general secretary of Waterway and Engineering 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 of the China Technical Economic Research Institute. He has been appointed as an Independent Non-executive Director of the Company since March 2005.

Biographies of Directors, Supervisors and Senior Management

Mr. HUI Wang Chuen, aged 67, 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 Industrial 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.

Mr. HUANG Shizhong, aged 49, retired from the position of Independent Non-executive Director of the Company since 28 February 2011. 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, a professor and a 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 a standing director and also academic committee member of China Accounting Society and was a chief partner and Certified Public Accountant of Xiamen Tianjian Certified Public Accountants. Currently, he is also an Independent Non-executive Director and the Chairman of Audits Committee of the Board of Directors of Bank of China Limited; an Independent Non-executive Director and the Chairman of Audit and Risk Management Committee of China Sinosteel Co., Ltd. He had been appointed as an Independent Nonexecutive Director of the Company from March 2005 to 28 February 2011.

SUPERVISORS

Mr. YAN Tengyun, aged 57, is the Chairman of the Supervisory Committee of the Company, a Senior Political Instructor. He was a soldier and then a squad leader of the Forth Company, the Fifty-First Regimen, the Seventeenth Division of Air Force Antiaircraft Gun from the year 1972 to the year 1977. He studied in Fujian Communications College at the major of marine engineering from the year 1978 to the year 1980. He was an engineer officer, an officer of Organization Cadre Department, deputy head and head of Political Department of Tugboat Company of Xiamen Harbour Bureau from the year 1980 to the year 1998. He was a member of the Party Committee and the secretary of the Disciplinary Committee of Xiamen Port (Group) Co., Ltd from the year 1998 to the year 2005. He was a member of the Party Committee and the secretary of the Disciplinary Committee of Xiamen Port Holding Group Co., Ltd from the year 2005 to the year 2007. He is a member of the standing committee of the Party Committee, the secretary of the Disciplinary Committee and the deputy Chairman of the Supervisory Committee of Xiamen Port Holding Group Co., Ltd since the year 2007. He also acts as the Chairman of the Supervisory Committee of the Company since 28 February since 2011.

Mr. LUO Jianzhong, aged 56, 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 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 as the Chairman of the trade union of Xiamen Port Holding since July 2005 and also acts as Worker's Director of Xiamen Port Holding since April 2007.

Mr. WU Jianliang, aged 48, is a Staff Representative Supervisor of the Company. He graduated in 2009 from the postgraduate school of the Party School of the Central Committee of C.P.C. with a part-time postgraduate qualification in economics management 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 party of Xiamen Ocean Shipping Tally Company from December 1985 to May 1991. He was the corporate management officer, secretary to the office and officer 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 C.P.C. of Xiamen Haitian Company from October 2001 to April 2005; he has been a Supervisor of Xiamen Haitian Company since March 2002. Since April 2005, he has been the deputy party secretary of Xiamen Haitian Company and also the secretary of the disciplinary committee of C.P.C. of Xiamen Haitian Company. He became the Chairman of the trade union of Xiamen Haitian Company in February 2006. He has been a Supervisor of the Company since March 2005.

Mr. Wu Weijian, aged 52, is a Staff Representative Supervisor of the Company. He graduated from the distance learning school of the Central Party School and obtained a college diploma in party and politics in 1996 and is a senior political engineer. He was the sub-team leader of the port loading and unloading team of Xiamen Harbour Bureau from December 1976 to March 1978. He then served in a division of the People's Liberation Army of the PRC as soldier, squad leader and acting platoon leader from March 1978 to October 1981. From October 1981 to June 1983, he was the dispatch head of the port loading and unloading team of Xiamen Harbour Bureau. From July 1983 to December 1992, he was the deputy secretary and then the secretary of the party branch of Haibin Loading and Unloading Company of Xiamen Harbour Bureau. He was then the deputy head and the person-in-charge of the party branch of the preparatory office of Shihushan Terminal of Xiamen Harbour Bureau from December 1992 to October 1994. Then from December 1994 to April 2001, he was the secretary of the party branch of Xiamen Port Group, Shihushan Terminal Branch. From April 2001 to September 2009, he has been the party secretary of Xiamen Port Group, Dongdu Port Branch (which was renamed as Xiamen Port Development Dongdu Branch, in December 2004). He has also been the Director of Xiamen Lurong Water-Railway Joint Transportation Co., Ltd since September 2001, and the Supervisor of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since July 2004. Since October 2009, he has been the deputy party secretary of Xiamen Port Development and also the secretary of the disciplinary committee of C.P.C. of Xiamen Port Development. Since 2 July 2010, he has also been acting as the Executive Director and legal representative of Xiamen Port Group Labour Services Co.,Ltd. Since 23 October 2008, he has also been the Staff Representative Supervisor of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. TANG Jinmu, aged 45, is an independent Supervisor of the Company and a senior accountant and a member of the eleventh session of Xiamen Committee of Chinese People's Political Consultative Conference. 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. 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 the secretary general of the Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association since January 2002. He has been a Supervisor of the Company since March 2005.

Mr. XIAO Zuoping, aged 36, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to professor in July 2006. He has been the dean, a professor and a supervisor of doctoral candidates of the accountancy department of the School of Economics & Management, Southwest Jiaotong University since 2007. He is the excellent talent of Ministry of Education in the new century, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants, a standing director of the Financial Cost Branch of China Accounting Society, a senior member of China Accounting Society, a director of the Council of "China Accounting Review". He is also an evaluation expert in degree and postgraduate education of Ministry of Education, a peer review expert of State Natural Science Funds Commission, a peer review expert of Doctoral Fund of the Ministry of Education, an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education and a specially requested member of Editorial Committee of "Securities Market Herald", a journal published by Shenzhen Stock Exchange. He also acts as independent Supervisor of the Company since 28 February since 2011.

Mr. FANG Zuhui, aged 54, retired from the positions of the Supervisor and the Chairman of the Supervisory Committee of the Company since 28 February 2011. Mr. Fang graduated from Xiamen Normal Technical College in February 1982. He has a college education background and is a Senior Political Instructor. 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 an officer, deputy head and head of the organising office of the administration committee of Xiamen and an organiser with the deputy bureau level of the city administration office of Xiamen from December 1986 to January 1998. From January 1998 to March 2005, he has been the deputy party secretary and the deputy Chairman of the supervisory committee of Xiamen Port (Group) Co., Ltd. He had been the Chairman of the supervisory committee of the Company from March 2005 to 28 February 2011. Since July 2005, he has been the deputy party secretary of Xiamen Port Holding and also acts as its deputy Chairman since February 2007.

Mr. HE Shaoping, aged 54, retired from the position of independent Supervisor of the Company since 28 February 2011. 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 qualified 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 had been a Supervisor of the Company from March 2005 to 28 February 2011.

COMPANY SECRETARY

Ms. HONG Lijuan, aged 47, is the company secretary of the Company. For further details regarding Ms. HONG Lijuan, please refer to the section headed "Executive Directors" above.

SENIOR MANAGEMENT

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.

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.

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.

ZHANG Yibing

Mr. ZHANG Yibing, aged 41, the qualified accountant and head of the finance department of the Company, graduated from Jimei Finance Technical College in July 1991 and obtained a bachelor of science degree with honours in Applied Accounting from Oxford Brookes University in December 2003, a MBA degree from Oxford Brookes University in July 2006 and a MAcc degree from the Chinese University of Hong Kong in December 2009. Mr. Zhang is a certified public accountant and was admitted as a member of the Association of Chartered Certified Accountants ("ACCA") in England on 15 April 2004, and was admitted as a fellow of ACCA (FCCA) on 15 April 2009. 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

Biographies of Directors, Supervisors and Senior Management

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. From August 2006 to August 2009, he has been the head of the audit department of the Company. Since September 2009, he has been appointed as the head of the finance department of the Company.

LU Jianwei

Mr. LU Jianwei, aged 39, the financial controller of the Company, is an Accountant and a Senior 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 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 the deputy manager of the corporate management department of the Company from July 2001 to March 2005. He was the 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 of the Company is pleased to present the report of the Directors and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is engaged in the Core Businesses, namely container, bulk and general cargo loading and unloading businesses, 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 in the Dongdu and Haicang port areas in Xiamen City, the PRC. Besides the Core Businesses, the Group is also engaged in long-term investment business. The principal activities of our subsidiaries are set out in Note 42(a) to the financial statements.

Details of the Group's operating results for the Year by business segments are set out in Note 27 to the financial statements.

No analysis by geographical segment is presented since the Core Businesses of the Group are mainly conducted in Xiamen City, the PRC and all of the Group's activities are conducted in the PRC.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 79.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB9 cents per share (tax inclusive), aggregating RMB245,358,000 to all shareholders whose names appeared on the registers of members on 6 June 2011 (being the record date), subject to the consideration and approval of the same at the forthcoming annual general meeting to be held on 7 June 2011.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in Note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the Year are set out in Note 6 to the financial statements.

DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB1,596,500 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2010:

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.

RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to the PRC Company Law, the Company may distribute a dividend only out of the annual 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 surplus reserve (in order of their priorities). Pursuant to the Articles, 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.

For the Year, the amount of reserves available for distribution, calculated on the above basis, was approximately RMB292,367,000. Such amount was prepared under the Hong Kong Accounting Standards.

PRE-EMPTION RIGHTS

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

SHARE OPTION SCHEME

The Company did not carry out any share option schemes.

FINANCIAL HIGHLIGHTS

Highlights of the Group's results and assets and liabilities are set out on page 6 and 7.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Year, the Group had not purchased, sold or repurchased any of the securities (as defined in the Listing Rules) of the Company.

ACQUISITIONS AND DISPOSALS

During the Year, 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 2010, 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 six Supervisors, including two Supervisors, namely Mr. FANG Zuhui and Mr. LUO Jianzhong; two staff representative Supervisors, namely Mr. WU Jianliang and Mr. WU Weijian; and two independent Supervisors, namely Mr. TANG Jinmu and Mr. HE Shaoping.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

During the Year, each of the Directors and Supervisors of the second session of the Board and Supervisory Committee of the Company had already entered into a service contract with the Company for a term of not more than three years until the expiry of the term of the second session of the Board or the Supervisory Committee of the Company.

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 of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and Supervisors are set out in Note 36 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Other than the service contracts, the Directors or Supervisors did not have any contracts of significance to which the Company or its subsidiaries, its holding company or its fellow subsidiaries was a party and 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

The biography of each of the existing and retired Directors, Supervisors and senior management of the Company from 1 January 2010 to the date of this report are set out on pages 52 to 60.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Year, the Company, any of its subsidiaries, its holding company or any of its fellow subsidiaries did not grant any right and 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, nor was any of such rights exercised.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2010, 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 SFO) which will have to be notified to the Company and 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year, none of the Directors and Supervisors of the Company had any interests in a business which competes or may compete, either directly or indirectly, with businesses of the Company or the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2010, to the best of the knowledge of 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	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic Shares	1,702,900,000 (Long position)	Beneficial owner	97.90%	62.46%
China Shipping (Group) Co. (Note)	H Shares	78,894,000 (Long position)	Interest of controlled cooperation	8.00%	2.89%
China Shipping (Hong Kong) Holdings Co., Limited (Note)	H Shares	78,894,000 (Long position)	Interest of controlled cooperation	8.00%	2.89%
China Shipping Terminal Development (Hong Kong) Company Limited (Note)	H Shares	78,894,000 (Long position)	Beneficial owner	8.00%	2.89%
Blackrock, Inc	H Shares	59,495,100 (Long position)	Interest of controlled cooperation	6.03%	2.18%

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

Save as disclosed above, as at 31 December 2010, 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, no contract in respect of the management or administration of the entire business or any significant business of the Group was entered into by the Company or existed.

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTIONS

In 2010, the Company and/or its relevant subsidiaries entered into and executed the following one-off connected transaction with the relevant connected parties.

As approved by the Board of the Company, on 29 November 2010, the Company and HPH (an associate holding 49% of the interest in XICT, a non-wholly owned subsidiary of the Company, thus a connected person of the Company) entered into the Capital Increase Contract of the Xiamen Haicang International Container Terminals Limited (《廈門海滄國際貨櫃碼頭有限公司增資合同》) and the Second Supplementary Contract to the Joint Venture Operation Contract of the Xiamen Haicang International Container Terminals Limited (《廈門海滄國際貨櫃碼頭有限公司合資經營合同補充合同(二)》), pursuant to which both parties jointly agreed to increase the total investment and registered capital of XHICT. The total investment of XHICT was increased from RMB737,797,400 to RMB1,025,797,400 (representing an increase in total investment of RMB288,000,000) and the registered capital was increased from RMB454,715,000 to RMB555,515,000 (representing an increase in registered capital of RMB100,800,000). Pursuant to which, during the Year, both parties jointly completed the capital injection to the additional registered capital of XHICT. The Company paid RMB51,408,000 for the additional registered capital, of which RMB51,407,700 was the consideration for the depot engineering and water supply engineering of the port project of Berth No.1 in Haicang port area of Xiamen Port and RMB300 in cash, representing 51% of the additional registered capital; and HPH paid RMB49,392,000 for the additional registered capital wholly settled by cash in foreign currency, representing 49% of the additional registered capital. Pursuant to the relevant requirements in the Listing Rules, as the applicable percentage ratio (as defined in the Listing Rules) of the consideration of this one-off connected transaction is less than 5%, it was subject to reporting and announcement requirements as set out under Chapter 14A of the Listing Rules.

Report of the Directors

The table below sets out the summary of the above one-off connected transaction. For details of the above transaction, please refer to the Company's announcement dated 29 November 2010 in the websites of the Stock Exchange and the Company.

Details of the transaction		Connected party	Date of signing the agreements	Amount of the transaction (RMB)
A.	The Company performed its obligations of capital increase by injecting the relevant engineering assets and cash into the joint venture company.	HPH	29 November 2010	51,408,000

In 2010, due to business demands of the Group, the Group entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding Group and certain other parties outside the Group. Set out below is a table summarizing the non-exempt continuing connected transactions.

Services		Connected parties	2010 Proposed annual cap (RMB)	 Actual amount incurred (RMB)
A.	Office/premises/terminal facilities lease	Xiamen Port Holding Group	153,100,000	36,975,000
B.	Logistical property services	Xiamen Port Holding Group	9,640,000	7,794,000
C.	Comprehensive services	Xiamen Port Holding Group	30,000,000	22,910,000
D.	Construction project management	Xiamen Port Holding Group	4,000,000	270,000
E.	Port facilities engineering and construction	Xiamen Port Holding Group	31,000,000	14,019,000
F.	Port-related labour services	Xiamen Port Holding Group	37,000,000	26,099,000
G.	Electrical equipment maintenance	Xiamen Port Holding Group	20,300,000	4,048,000
H.	Port services	COSCO Container Lines Co., Ltd	139,400,000	83,849,000
I.	Port services	Xiamen Tidak International Freight Forwarding Co., Ltd	6,800,000	3,883,000
J.	Power supply and maintenance	Xiamen Port Holding Group	16,000,000	9,159,000
K.	Container horizontal transportation	Xiamen Port Holding Group	12,330,000	7,293,000
L.	Terminal labour and tallying services	Xiamen Port Holding Group	3,503,000	2,389,000
M.	Information services	Xiamen Port Holding Group	16,500,000	6,520,000

INTRA-GROUP CONNECTED TRANSACTIONS

In 2010, 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.

XICT, as owner and operator of terminals, has been providing port related services to Xiamen Penavico International Freight, an indirect non wholly-owned subsidiary of the Company, the latter conducts container and freight forwarding business for third party cargo owners at the relevant terminals. Xiamen Port Transportation, an indirect non wholly-owned subsidiary of the Company, also provides container horizontal transportation services for XICT. In order to enhance the utilisation rate of the terminals and lower operation costs, 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 and XHICT also implemented the unification of the operation and management of Berths No. 2 and No. 3 and Berth No. 1 of Haicang port area. The relevant port service fees and container forwarding fees are charged at tariffs prescribed by the Ministry of Communication and the Pricing Bureau of Xiamen Municipal Government. If there are no such prescribed tariffs, tariffs are 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.

The Company has a 51% equity interest in XHICT, an equity joint venture of the Company. This non-wholly owned subsidiary (has the meaning ascribed thereto under the Listing Rules) of the Company has one other shareholder, HPH, which is not a member of the Group, that holds the remaining 49% equity interest. In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate holding company of HPH is also the ultimate holding company of a substantial shareholder of one of the Company's other subsidiaries. Accordingly, XHICT is a connected person of the Company under the Listing Rules (as for the Group up to 22 July 2010) and the transactions between the Company and/or its relevant subsidiaries and the aforesaid company constituted connected transactions of the Company.

In addition, XHPC is a 70% owned subsidiary of the Company. XHPC has a 51% equity interest in XICT, an equity joint venture of the Company. XICT has one other shareholder, which is not a member of the Group, that holds the remaining 49% equity interest. In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate holding company of that shareholder is also the ultimate holding company of a substantial shareholder of one of the Company's other subsidiaries. Accordingly, XICT is a connected person of the Company under the Listing Rules (as for the Group up to 22 July 2010) and the transactions between the Company and/or its relevant subsidiaries and the aforesaid company constituted connected transactions of the Company.

Pursuant to the amendments to the Listing Rules effected on 3 June 2010, the Company made an application to the Stock Exchange stating the actual situation of XICT and XHICT, and was granted the approval on 22 July 2010 to remove XICT and XHICT from the status of connected persons of the Company. Therefore, the transaction amount between the Company and/or its relevant subsidiaries and the two abovementioned companies were disclosed up to July 2010. Disclosure is no longer required afterwards.

A summary of the aforesaid contracts is set out in the table below:

	Service Providers	Service Receivers	Service Scope	Term of Contract
1.	Xiamen Port Transportation	XICT	Container horizontal transportation	1 January 2008 to 31 December 2010
2.	XICT	Xiamen Penavico International Freight	Port-related services	1 January 2008 to 31 December 2010
3.	The Company (Hairun Terminal)	XICT	Terminal operation services	1 January 2008 to 31 December 2010
4.	XICT	XHICT	Unification of the operation and management of terminals	1 September 2008 to 31 August 2011

Note:

For the Year, the proposed aggregate cap of the above transactions Nos. 1 to 3 was RMB29,200,000, and the actual amount incurred for the period from January to July 2010 was RMB9,200,000; the proposed aggregated cap of transaction No. 4 was RMB140,000,000. The actual amount incurred for the period from January to July 2010 was RMB53,078,000.

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

All three Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that those transactions had 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Company and the Group have implemented corporate annuity schemes combined with their actual situations. According to statistics, for the Year, the aggregate corporate contribution of the Group to the corporate annuity was approximately RMB5,454,000, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB277,000.

The abovementioned corporate annuity is of a contribution scheme. The forfeited contribution may be used by the Group. For the Year, the forfeited contribution available to be used by the Group amounted to RMB38,246.2. The Group had not used the forfeited contribution during the Year.

The details of the Group's pension scheme are set out to Note 29 to the financial statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2010, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

TAXATION

According to the approval given by the branch office of the State Tax Administration in Xiamen, the profit of the Company shall be exempt from corporate income tax for the first five years and a 50% reduction of corporate income tax from the sixth to the tenth years commencing from 2007. 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. In addition, in accordance with the "Confirmation certificate in respect of foreign investment project encouraged for development by the State" (Code: Shang Zi Que [2006] No. 33) issued by the PRC Ministry of Commerce to the Company on 7 November 2006, the Company is authorised to apply to the local customs at the location of the project for duty exemption on certain imported equipments in accordance with the relevant requirements.

Given that the Group is located in the Xiamen Special Economic Zone, in accordance with relevant policies issued by the PRC government, within the five years after the new Corporate Income Tax Law is in force in 2008, the original 15% preferential tax rate was increased gradually to the statutory tax rate of 25% such that the transitional tax rate would be 22% for 2010, whereas 24% and 25% (the statutory tax rate) for 2011 and 2012 respectively. With the exception of the corporate income tax concessions as applied to the Company in 2010 mentioned above, as well as the fact that the tax rate applicable to XICT in 2010 was 11% and XHICT was exempt from corporate income tax in 2010, the corporate income tax rate applicable to the member companies of the Group was 22% in 2010, and will be increased as mentioned above during the transition period.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been committed to maintaining a high standard of corporate governance, so as to enhance the transparency of the Company's operations and protect the interests of all shareholders. For the Year, the Company has been in compliance with the provisions and most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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 that is publicly available to the Company and within the knowledge of the Directors, more than 25% of the shares issued by the Company were held in public float as at the latest practicable date prior to the issue of this Annual Report, which adequately exceeded the requirements of the Listing Rules.

AUDITORS

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

By Order of the Board

LIN Kaibiao
Chairman

Xiamen, the PRC
25 March 2011

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd

Pursuant to the requirements of the Articles, in the year of 2010, the Supervisory Committee of the Company consisted of six members, namely Mr. FANG Zuhui, the chairman of the Supervisory Committee, Mr. LUO Jianzhong, the Supervisor, Mr. WU Jianliang and Mr. WU Weijian, the staff representative Supervisors, and Mr. TANG Jinmu and Mr. HE Shaoping, the independent Supervisors.

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2010

For the year ended 31 December 2010, the Supervisory Committee of the Company has been discharging its supervisory duty conscientiously and performing its work sedulously and initiatively pursuant to the provisions of the Company Law, the Listing Rules, the Articles and other requirements of applicable laws and regulations. In the year of 2010, the Supervisory Committee of the Company convened two meetings, mainly for the review and passing of financial documents such as the annual report and interim report of the Company and the report on the work of the Supervisory Committee in 2009, which each became resolution respectively.

During the reporting period, all members of the Supervisory Committee of the Company monitored and reviewed the agendas of the Board meetings and general meetings, the relevant resolutions passed and their implementations by means of attending all the Board meetings and general meetings convened in 2010, debriefing on the work report and financial position report, reviewing the financial report and audit report and considering to the external auditors about their auditing to the Company. In the opinion of the Supervisory Committee, the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at general meetings or by the Board.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2010

1. Operation of the Company in compliance with the law

The Supervisory Committee had seriously monitored and reviewed the performance of duties conducted by its Directors and senior management as well as the execution of internal control system of the Company pursuant to the provisions of the Listing Rules, applicable laws and regulations and the Articles. The Supervisory Committee was of the opinion that, during the reporting period, the Company's procedures of decision-making were standard and legal, the internal control system had been further improved and implemented strictly, and the Company's operation was normal and standard in accordance with all the applicable laws, regulations and the Listing Rules. The Board and senior management had duly and diligently discharged their duties and operated the Company with a standardized operation system in place. The Supervisory Committee found no contravention of applicable laws or regulations or the Articles nor acts detrimental to the interests of the Company done by the Directors and senior management of the Company.

Report of the Supervisory Committee

2. Financial position of the Company

The Supervisory Committee had conducted the audit of the 2010 financial report, the relevant profit allocation proposal of the Company and the 2010 auditors' report issued by the auditors of the Company in Hong Kong, PricewaterhouseCoopers, Certified Public Accountants, and other relevant informations. The Supervisory Committee is of the opinion that, during the reporting period, the financial condition of the Company was sound with standardised financial management strictly implemented. The 2010 financial report of the Company gives an objective, 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 also opined that the relevant profit allocation proposal of the Company was in line with the Company's current operation position.

3. Connected transactions of the Company

The Supervisory Committee is of the opinion that, during the reporting period, the transaction prices in connection with the acquisition or disposal of assets were reasonable, no insider dealings were discovered, and there existed no circumstances which would have been detrimental to any shareholders or would have resulted in any loss of the Company's assets. During the reporting period, every connected transaction was concluded in the ordinary course of business of the Company on normal commercial terms. These transaction prices were determined on the basis of fair market value, were fair and reasonable as to the Company and its shareholders and were in the interests of the Company and its shareholders as a whole.

In 2011, all members of the Supervisory Committee will continue to strictly comply with the provisions of the laws, regulations and the Articles and put more effort to supervise in order to safeguard and protect the interests of the Company and its shareholders as a whole.

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

YAN Tengyun
Chairman

Xiamen, the PRC
25 March 2011

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 75 to 170, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial

Independent Auditor's Report

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010, 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, 25 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investment property	5	49,453	32,902
Property, plant and equipment	6	3,096,962	3,174,502
Land use rights	7	1,010,928	1,034,575
Intangible assets	8	54,257	57,441
Interests in associates	11	34,954	34,659
Available-for-sale financial assets	12	97,365	155,512
Deferred income tax assets	13	52,707	52,473
Total non-current assets		4,396,626	4,542,064
Current assets			
Inventories	14	159,314	136,717
Accounts and notes receivable	15	581,679	591,129
Other receivables and prepayments	16	196,033	296,221
Term deposits with initial term of over three months	17	84,847	131,880
Restricted cash	18	36,604	41,569
Cash and cash equivalents	19	1,154,304	806,557
Total current assets		2,212,781	2,004,073
Total assets		6,609,407	6,546,137
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	2,726,200	2,726,200
Reserves	26	1,179,987	1,144,863
		3,906,187	3,871,063
Non-controlling interests		960,959	916,790
Total equity		4,867,146	4,787,853
LIABILITIES			
Non-current liabilities			
Borrowings	24	287,742	268,783
Derivative financial instrument	22	6,355	7,258
Deferred government grants and income	23	121,181	133,247
Early retirement benefit obligations		2,328	3,404
Deferred income tax liabilities	13	22,080	37,643
Total non-current liabilities		439,686	450,335

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Current liabilities			
Accounts and notes payable	20	680,365	701,071
Other payables and accruals	21	501,589	478,467
Borrowings	24	104,486	115,970
Taxes payable		16,135	12,441
Total current liabilities		1,302,575	1,307,949
Total liabilities		1,742,261	1,758,284
Total equity and liabilities		6,609,407	6,546,137
Net current assets		910,206	696,124
Total assets less current liabilities		5,306,832	5,238,188

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao
Chairman

FANG Yao
Director

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,345,008	1,508,934
Land use rights	7	427,753	437,647
Intangible assets	8	59	39
Investments in subsidiaries	9	1,402,633	1,402,633
Investments in jointly controlled entities	10	286,628	235,220
Available-for-sale financial assets	12	92,839	150,986
Deferred income tax assets	13	1,419	1,532
Total non-current assets		3,556,339	3,736,991
Current assets			
Inventories	14	1,243	1,286
Accounts receivable	15	55,852	40,417
Other receivables	16	143,016	161,079
Cash and cash equivalents	19	478,941	244,093
Total current assets		679,052	446,875
Total assets		4,235,391	4,183,866
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	2,726,200	2,726,200
Reserves	26	1,122,521	1,051,647
Total equity		3,848,721	3,777,847
LIABILITIES			
Non-current liabilities			
Borrowings	24	68,141	74,203
Derivative financial instrument	22	6,355	7,258
Deferred government grants and income	23	72,918	87,663
Deferred income tax liabilities	13	18,614	33,724
Total non-current liabilities		166,028	202,848

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Current liabilities			
Accounts payable	20	6,415	18,429
Other payables and accruals	21	210,398	181,152
Borrowings	24	3,829	3,590
Total current liabilities		220,642	203,171
Total liabilities		386,670	406,019
Total equity and liabilities		4,235,391	4,183,866
Net current assets		458,410	243,704
Total assets less current liabilities		4,014,749	3,980,695

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao
Chairman

FANG Yao
Director

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenues	27	2,241,717	2,065,904
Cost of sales		(1,676,716)	(1,628,064)
Gross profit		565,001	437,840
Other income	27	36,551	43,681
Other gains — net	28	44,718	15,702
Selling and marketing expenses		(30,508)	(30,463)
General and administrative expenses		(156,034)	(143,939)
Operating profit		459,728	322,821
Finance income	31	13,479	14,447
Finance costs	31	(15,939)	(27,951)
		457,268	309,317
Share of results of associates	11	1,381	1,454
Profit before income tax expense		458,649	310,771
Income tax expense	32(a)	(52,528)	(39,588)
Profit for the year		406,121	271,183
Attributable to:			
Equity attributable to owners of the parent	33	325,814	205,091
Non-controlling interests		80,307	66,092
		406,121	271,183
Earnings per share for profit attributable to owners of the parent during the year — Basic and diluted (in RMB cents)	35	11.95	7.52
Dividends			
— Interim dividend paid		109,048	—
— Final dividend proposed	34	245,358	136,310
		354,406	136,310

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao
Chairman

FANG Yao
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Profit for the year	406,121	271,183
Other comprehensive (loss)/income, net of tax		
— Fair value (losses)/gains on available-for-sale financial assets, net of tax	(45,332)	71,997
Total comprehensive income for the year	360,789	343,180
Total comprehensive income for the year attributable to:		
— Owners of the parent	280,482	277,088
— Non-controlling interests	80,307	66,092
	360,789	343,180

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao
Chairman

FANG Yao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the parent					
	Share capital RMB'000 (Note 25)	Other reserves RMB'000 (Note 26)	Retained earnings RMB'000 (Note 26)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009	2,726,200	(356,423)	1,374,139	3,743,916	919,807	4,663,723
Comprehensive income						
Profit for the year	—	—	205,091	205,091	66,092	271,183
Other comprehensive income						
Fair value gains on available-for-sale financial assets	—	71,997	—	71,997	—	71,997
— Gross	—	95,996	—	95,996	—	95,996
— Related deferred income tax	—	(23,999)	—	(23,999)	—	(23,999)
Total comprehensive income	—	71,997	205,091	277,088	66,092	343,180
Transactions with owners						
2008 final dividend	—	—	(149,941)	(149,941)	—	(149,941)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(69,109)	(69,109)
Profit appropriation	—	21,984	(21,984)	—	—	—
Balance at 31 December 2009	2,726,200	(262,442)	1,407,305	3,871,063	916,790	4,787,853
Balance at 1 January 2010	2,726,200	(262,442)	1,407,305	3,871,063	916,790	4,787,853
Comprehensive income						
Profit for the year	–	–	325,814	325,814	80,307	406,121
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	–	(45,332)	–	(45,332)	–	(45,332)
— Gross	–	(60,442)	–	(60,442)	–	(60,442)
— Related deferred income tax	–	15,110	–	15,110	–	15,110
Total comprehensive income	–	(45,332)	325,814	280,482	80,307	360,789
Transactions with owners						
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	250	250
2009 final dividend	–	–	(136,310)	(136,310)	–	(136,310)
2010 interim dividend	–	–	(109,048)	(109,048)	–	(109,048)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(36,388)	(36,388)
Profit appropriation	–	33,447	(33,447)	–	–	–
Balance at 31 December 2010	2,726,200	(274,327)	1,454,314	3,906,187	960,959	4,867,146

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao
Chairman

FANG Yao
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Net cash generated from operations	37(a)	711,686	576,984
Interest paid		(18,086)	(30,695)
Income tax paid		(49,521)	(40,818)
Net cash generated from operating activities		644,079	505,471
Cash flows from investing activities			
Purchases of property, plant and equipment		(219,314)	(174,363)
Proceeds from disposals of property, plant and equipment and intangible assets		97,538	3,107
Purchases of intangible assets and land use rights		(554)	(23,279)
Investment in available-for-sale financial assets		(2,295)	—
Interest received		11,089	13,817
Dividends received		2,279	2,212
Net decrease in term deposits with initial term of over three months		47,033	54,436
Net cash used in investing activities		(64,224)	(124,070)
Cash flows from financing activities			
Proceeds from borrowings		168,518	313,000
Repayments of borrowings		(158,810)	(592,254)
Contribution from non-controlling shareholder of a subsidiary		250	—
Capital contribution from a joint venture partner of a jointly controlled entity		25,190	74,880
Dividends paid to owners of the parent		(243,527)	(149,982)
Dividends paid to non-controlling shareholders of subsidiaries		(20,616)	(65,002)
Net cash used in financing activities		(228,995)	(419,358)
Net increase/(decrease) in cash and cash equivalents		350,860	(37,957)
Cash and cash equivalents at beginning of year		806,557	844,665
Exchange losses on cash and cash equivalents		(3,113)	(151)
Cash and cash equivalents at end of year	19	1,154,304	806,557

The notes on pages 83 to 170 are an integral part of these consolidated financial statements.

LIN Kaibiao	**FANG Yao**
Chairman	*Director*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. General information

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

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, provision of ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying), building materials manufacturing, processing and selling, trading of industrial products, and investment holding.

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

These consolidated financial statements were approved for issue by the Board of Directors (the "Board") of the Company on 25 March 2011.

2. Summary of significant accounting policies

The principal 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 Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instrument.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

HKICPA has issued certain new or revised standards, amendments and interpretations to existing standards which are mandatory for the Group's accounting periods on or after 1 January 2010, details of which are as set out below.

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2010 and adopted by the Group

The Group has adopted the following new standards and amendments to existing standards which are currently relevant for the Group's business and mandatory for the first time for the financial year beginning 1 January 2010:

- HKFRS 3 (Revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised), "consolidated and separate financial statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2010 and adopted by the Group (Continued)

HKFRS 3 (Revised) and the consequential amendment to HKAS 27, HKAS 28, HKAS 31, and HKAS 27 (Revised) had no impact on the Group's financial statements for year 2010, as there have been no business combination or transaction with non-controlling interests or transactions whereby an interest in an entity is retained after the loss of control of that entity.

- The improvement related to HKAS 7 "Cash flow statements" in the second annual improvement project to HKFRSs issued by the HKICPA in May 2009 (the "Second Improvement Project") requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. This improvement has no impact on the Group.

- The improvement related to HKAS 17 "Leases" in the Second Improvement Project deleted the specific guidance regarding classification of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. This improvement has no impact on the classifications of lands of the Group and all payments for lands are regarded as operating lease prepayments.

- The improvement related to HKAS 18 "Revenue" in the Second Improvement Project is an amendment to the appendix to HKAS 18 which give additional guidance regarding the determination as to whether an entity is acting as a principal or an agent. No transition provisions are specified for this amendment. This improvement has no impact on the Group as the Group has applied similar determination factors prior to this amendment.

- The improvement related to HKFRS 8 "Operating segments" in the Second Improvement Project clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. This improvement does not have any significant impact on the Group's financial statements as well as the disclosure information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2010 and adopted by the Group (Continued)

The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Share-based Payments — Group Cash-settled Share-based Payment Transaction
HK(IFRIC)-Int 17 (Amendment)	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

First annual improvements to HKFRSs were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009, but is not currently relevant for the Group.

The following improvements in the Second Improvement Project are effective in the financial year of 2010, but are not currently relevant for the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(IFRIC)-Int 9 and HKFRS 3 (Revised)	Reassessment of Embedded Derivatives and Business Combinations
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Revised standards that are relevant to the Group which are not yet effective for the year ended 31 December 2010 but have been early adopted by the Group

The following revised standard issued by HKICPA, which is not yet effective for the year ended 31 December 2010, has been early adopted by the Group:

- The Group has early adopted HKAS 24 (Revised), "Related party disclosures". The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — the name of the government and the nature of their relationship; and

  — the nature and amount of any individually-significant transactions; and

  — the extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

The early adoption of HKAS 24 (Revised) only impacts the disclosure information and does not have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31 December 2010 and have not been early adopted

The HKICPA has issued the following new/revised standards, amendments or interpretations to existing standards which are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group (collectively the "New or Revised HKFRSs"):

		Effective for accounting periods beginning on or after
Relevant to the Group's operations (Note)		
HKFRS 9	Financial Instruments	1 January 2013
Not relevant to the Group's operations		
HKAS 32 (Amendment)	Financial Instruments: Disclosure and Presentation — Classification of Rights Issue	1 February 2010
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Limited Exemptions from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Note: New or Revised HKFRSs which are relevant to the Group's existing operations are summarised as below:

- HKFRS 9 "Financial Instruments" requires financial assets to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31 December 2010 and have not been early adopted (Continued)

Note: (Continued)

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

In addition to the New or Revised HKFRSs, HKICPA also published certain improvements to HKFRSs in May 2010 (the "Third Improvement Project"). The Third Improvement Project covers the following standards:

		Effective for accounting periods beginning on or after
HKAS 1	Presentation of Financial Statements	1 January 2011
HKAS 27	Consolidated and Separate Financial Statements	1 July 2010
HKAS 34	Interim Financial Reporting	1 January 2011
HKFRS 1	First time Adoption of HKFRSs	1 January 2011
HKFRS 3 (Revised)	Business Combinations	1 July 2010
HKFRS 7	Financial Instruments: Disclosures	1 January 2011
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 January 2011

The Group will adopt these New or Revised HKFRSs and amendments under the Third Improvement Project in accordance with their respective effective dates. The Group is assessing the impact of these New or Revised HKFRSs and amendments under the Third Improvement Project but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(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 identified on acquisition, net of any accumulated impairment loss. See Note 2.9 for the impairment of non-financial assets.

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 other comprehensive income is recognised in other comprehensive income. 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.

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(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 is attributable to the other ventures. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities until it re-sells 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Jointly controlled entities (Continued)

In the Company's balance sheet, investments in jointly controlled entities are accounted for at cost less impairment (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Management meeting, carried out on a regular basis to make strategic decisions, is responsible for allocating resources and assessing performance of the operating segments.

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 the Group's presentation currency. Renminbi is also the functional currency of the subsidiaries, jointly controlled entities and associates of the Group.

(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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) — net".

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized as part of the fair value gain or loss in the consolidated income statement. Translation differences on non-monetary financial assets and liabilities, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.5 Investment property

Investment properties comprise storage warehouses that are held for long-term rental yields.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 40 years. The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the consolidated income statement. The cost of maintenance, repairs and minor improvements is charged to the consolidated income statement during the financial period when it is incurred.

An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposal of an investment property are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) — net" in the consolidated income statement.

2.6 Property, plant and equipment

Property, plant and equipment is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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 consolidated income statement during the financial period in which they are incurred.

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

— Buildings	10 to 40 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 the end of each reporting period.

Construction-in-progress represents buildings, plant and machineries under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings, costs of plant and machineries, 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 (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other gains/(losses) — net" in the consolidated income statement.

2. Summary of significant accounting policies (Continued)

2.7 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 the lease periods of 26 to 50 years.

2.8 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 45 to 50 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights of 45 to 50 years.

(b) Computer software

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

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to depreciation or amortisation and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

The Group classifies its financial assets in the following categories: financial assets 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "accounts and notes receivable", "other receivables and prepayments" and "cash and cash equivalents" in the balance sheet (Notes 2.14 and 2.15).

(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 the investment matures or management intends to dispose of it within 12 months of the end of reporting period.

Regular way purchases and sales of financial assets 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 consolidated 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.

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 consolidated income statement within other gains/losses — net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 consolidated income statement as "gains and losses from investment securities".

Financial assets are measured at cost where fair value cannot be determined.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.11 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;

- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of significant accounting policies (Continued)

2.11 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets 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 that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.12 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 designated 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 consolidated income statement within “other gains/(losses) — net”.

2.13 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). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

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

2.16 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.

2.17 Accounts and other payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 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 consolidated income statement over the period of the borrowings using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.18 Borrowings (Continued)

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 end of the reporting period.

2.19 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.

2.20 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 recognised, 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 substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax (Continued)

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.

2.21 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. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees, at certain percentage of the annual salary of the qualifying employees. The Group has no further obligation for post-retirement benefits beyond the above contributions made. Contributions to these plans or scheme are expensed as incurred.

(b) 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.

(c) 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.

2. Summary of significant accounting policies (Continued)

2.22 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 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 consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.24 Recognition of revenue and income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.24 Recognition of revenue and income (Continued)

The Group recognises revenue and income when the amount of revenue and income 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 Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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.

2. Summary of significant accounting policies (Continued)

2.24 Recognition of revenue and income (Continued)

(f) Rental income

Rental income on assets leased out under operating leases and rental income from investment property is recognised on the straight-line basis over the lease periods.

(g) Dividend income

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

2.25 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 consolidated income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in the balance sheet in accordance with their nature and where applicable, are depreciated in accordance with the Group's depreciation policy as set out in Note 2.6. Rental income arising from assets leased out under operating lease is recognised in accordance with the Group's income recognition policy as set out in Note 2.24(f) above.

2.26 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.

2. Summary of significant accounting policies (Continued)

2.26 Contingent liabilities and contingent assets (Continued)

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.

2.27 Dividend distribution

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

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 2010 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 15, 17, 19, 20 and 24 respectively.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

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 2010, 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 RMB1,440,000 (2009: RMB96,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the 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 term deposits, 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 2010, approximately 7% (2009: 28%) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

To mitigate the impact of interest rate fluctuations, management closely monitors the Group's exposure to interest rate risk. Management uses an interest rate swap contract to mitigate a portion of the cash flow interest-rate risk despite the interest rate swap contract does not qualify for hedge accounting (Note 22).

At 31 December 2010, 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 RMB1,603,000 (2009: RMB1,313,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Price risk

The Group is exposed to equity securities price risk because the Group holds certain investments which are classified on the consolidated balance sheet as available-for-sale financial assets (Note 12). 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 2010, 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 the Group's total equity would have been increased/decreased by the same amount of RMB9,284,000 (2009: RMB15,099,000), excluding the tax effect.

(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 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 asks for collateral when proper and necessary. 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 2010 and the total revenue for the year then ended.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

Further quantitative disclosure in respect of the Group's exposure to credit risk from accounts and other receivables are set out in Note 15, Note 16 and Note 41.

In addition to the above financial assets, as at 31 December 2010, the Group also has made advances to suppliers of RMB141,524,000 (2009: RMB243,649,000) mainly in respect of the Group's purchases of finished goods and raw materials for its manufacturing and sales of building materials and trading of industrial products.

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

(e) Liquidity risk

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

The Group's funding requirements primarily arise from 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 2010

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2010				
Bank borrowings	121,330	23,555	71,273	290,666
Accounts and notes payable	680,365	—	—	—
Other payables and accruals	501,589	—	—	—
Derivative financial instrument	—	—	6,355	—
	1,303,284	23,555	77,628	290,666
At 31 December 2009				
Bank borrowings	132,373	22,131	66,703	278,735
Accounts and notes payable	701,071	—	—	—
Other payables and accruals	478,467	—	—	—
Derivative financial instrument	—	—	7,258	—
	1,311,911	22,131	73,961	278,735

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 2010				
Bank borrowings	7,571	7,776	24,664	57,465
Accounts payable	6,415	—	—	—
Other payables and accruals	210,398	—	—	—
Derivative financial instrument	—	—	6,355	—
	224,384	7,776	31,019	57,465
At 31 December 2009				
Bank borrowings	7,635	7,806	24,712	66,946
Accounts payable	18,429	—	—	—
Other payables and accruals	181,152	—	—	—
Derivative financial instrument	—	—	7,258	—
	207,216	7,806	31,970	66,946

The Group's trading derivative instrument with a negative fair value has been included at its fair value of RMB6,355,000 (2009: RMB7,258,000) within the time bucket between 2 and 5 years. The contractual maturity is not essential for an understanding of the timing of the cash flows. The contract is managed on a net-fair value basis rather than by maturity date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Financial risk management (Continued)

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.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a low gearing ratio. The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010 RMB'000	2009 RMB'000
Total borrowings (Note 24)	392,228	384,753
Less: Cash and cash equivalents (Note 19)	(1,154,304)	(806,557)
Net cash	(762,076)	(421,804)
Total equity	4,867,146	4,787,853
Total capital	4,105,070	4,366,049
Gearing ratio (%)	Not applicable	Not applicable

As at 31 December 2010 and 2009, the Group was in a net cash position.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	92,839	—	—	92,839
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	—	(6,355)	—	(6,355)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	150,986	—	—	150,986
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	—	(7,258)	—	(7,258)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available for sale (Note 12).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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.

4. Critical accounting estimates and assumptions (Continued)

4.1 Useful lives of property, plant and equipment (Continued)

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

— increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB16,321,000, if favourable; or

— decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB19,948,000, if unfavourable.

4.2 Deferred income tax assets

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 substantively 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 recovered. 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 applicable variable 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 by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB1,925,000 (2009: RMB784,000), if unfavourable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. Critical accounting estimates and assumptions (Continued)

4.4 Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including the accounts receivable and other receivables (Notes 15, 16 and 41)). 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.

5. Investment property

	Group	
	2010 RMB'000	2009 RMB'000
Opening net book amount	32,902	—
Transfer from property, plant and equipment (Note 6)	17,464	33,745
Depreciation	(913)	(843)
Closing net book amount	49,453	32,902
Cost	52,970	35,506
Accumulated depreciation	(3,517)	(2,604)
Net book amount	49,453	32,902

During the year ended 31 December 2010, the Group transferred certain buildings from owner-occupied property, plant and equipment to investment property with carrying amount of approximately RMB17,464,000 (2009: RMB33,745,000) upon the commencement of operating leases to other parties.

No independent valuation was carried out for the investment property. The fair value of the Group's investment property as at 31 December 2010 amounted to approximately RMB58,113,000 (2009: RMB36,367,000) as estimated by management by making reference to the current prices in the market for similar property in the similar location and condition and subject to similar leasing arrangement.

6. Property, plant and equipment

(a) Group

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vessels RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2009										
Cost	292,011	1,191,480	188,119	1,563,118	177,050	275,915	183,267	152,485	508,099	4,531,544
Accumulated depreciation	(74,087)	(218,498)	(65,352)	(467,845)	(97,673)	(102,746)	(96,677)	(97,676)	—	(1,220,554)
Accumulated impairment losses	—	(255)	—	(30)	(215)	—	(237)	—	—	(737)
Net book amount	217,924	972,727	122,767	1,095,243	79,162	173,169	86,353	54,809	508,099	3,310,253
Year ended 31 December 2009										
Opening net book amount	217,924	972,727	122,767	1,095,243	79,162	173,169	86,353	54,809	508,099	3,310,253
Additions	757	2,842	2,242	16,518	14,322	—	7,369	8,883	154,038	206,971
Transfer	—	86,496	4,760	102,094	8,762	—	920	—	(203,032)	—
Transfer to land use rights (Note 7)	—	—	—	—	—	—	—	—	(111,281)	(111,281)
Transfer to investment property (Note 5)	(33,745)	—	—	—	—	—	—	—	—	(33,745)
Disposals	(893)	(8,371)	—	(185)	(567)	—	(287)	(175)	—	(10,478)
Reversal of impairment upon disposals	—	35	—	30	—	—	—	—	—	65
Depreciation	(9,795)	(28,665)	(7,526)	(72,325)	(18,429)	(9,768)	(17,675)	(19,930)	—	(184,113)
Impairment	—	—	—	—	—	—	—	—	(3,170)	(3,170)
Closing net book amount	174,248	1,025,064	122,243	1,141,375	83,250	163,401	76,680	43,587	344,654	3,174,502
At 31 December 2009										
Cost	256,274	1,272,308	195,121	1,672,839	197,946	275,915	186,684	160,823	347,824	4,565,734
Accumulated depreciation	(82,026)	(247,024)	(72,878)	(531,464)	(114,481)	(112,514)	(109,767)	(117,236)	—	(1,387,390)
Accumulated impairment losses	—	(220)	—	—	(215)	—	(237)	—	(3,170)	(3,842)
Net book amount	174,248	1,025,064	122,243	1,141,375	83,250	163,401	76,680	43,587	344,654	3,174,502
Year ended 31 December 2010										
Opening net book amount	174,248	1,025,064	122,243	1,141,375	83,250	163,401	76,680	43,587	344,654	3,174,502
Additions	2,728	207	18	6,991	4,998	–	15,726	7,661	117,033	155,362
Transfer	31,740	20,880	103,315	75,147	3,881	75,900	183	2,420	(313,466)	–
Transfer to investment property (Note 5)	(17,464)	–	–	–	–	–	–	–	–	(17,464)
Disposals	(3,833)	–	(29,874)	(206)	(1,525)	–	(502)	(163)	–	(36,103)
Reversal of impairment upon disposals	–	194	–	–	–	–	–	–	–	194
Depreciation	(8,513)	(29,179)	(7,850)	(72,854)	(14,829)	(9,772)	(16,849)	(19,683)	–	(179,529)
Closing net book amount	178,906	1,017,166	187,852	1,150,453	75,775	229,529	75,238	33,822	148,221	3,096,962
At 31 December 2010										
Cost	269,404	1,293,395	266,921	1,747,108	204,105	351,815	195,133	160,175	151,391	4,639,447
Accumulated depreciation	(90,498)	(276,203)	(79,069)	(596,655)	(128,115)	(122,286)	(119,658)	(126,353)	–	(1,538,837)
Accumulated impairment losses	–	(26)	–	–	(215)	–	(237)	–	(3,170)	(3,648)
Net book amount	178,906	1,017,166	187,852	1,150,453	75,775	229,529	75,238	33,822	148,221	3,096,962

Notes to the Consolidated Financial Statements

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6. Property, plant and equipment (Continued)

(b) Company

	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
At 1 January 2009									
Cost	17,863	704,191	58,177	658,048	40,947	16,922	25,181	383,396	1,904,725
Accumulated depreciation	(5,074)	(109,960)	(16,345)	(100,717)	(23,173)	(2,136)	(10,091)	—	(267,496)
Net book amount	12,789	594,231	41,832	557,331	17,774	14,786	15,090	383,396	1,637,229
Year ended 31 December 2009									
Opening net book amount	12,789	594,231	41,832	557,331	17,774	14,786	15,090	383,396	1,637,229
Additions	—	—	—	—	3,439	—	928	58,528	62,895
Transfer	—	89,236	—	—	7,214	—	—	(96,450)	—
Transfer to land use rights (Note 7)	—	—	—	—	—	—	—	(111,281)	(111,281)
Capital contribution to a jointly controlled entity	—	(17,084)	—	—	—	—	—	—	(17,084)
Depreciation	(644)	(18,435)	(2,242)	(24,915)	(7,739)	(712)	(4,968)	—	(59,655)
Impairment	—	—	—	—	—	—	—	(3,170)	(3,170)
Closing net book amount	12,145	647,948	39,590	532,416	20,688	14,074	11,050	231,023	1,508,934
At 31 December 2009									
Cost	17,863	776,204	58,177	658,048	51,600	16,922	26,109	234,193	1,839,116
Accumulated depreciation	(5,718)	(128,256)	(18,587)	(125,632)	(30,912)	(2,848)	(15,059)	—	(327,012)
Accumulated impairment losses	—	—	—	—	—	—	—	(3,170)	(3,170)
Net book amount	12,145	647,948	39,590	532,416	20,688	14,074	11,050	231,023	1,508,934
Year ended 31 December 2010									
Opening net book amount	12,145	647,948	39,590	532,416	20,688	14,074	11,050	231,023	1,508,934
Additions	168	–	–	–	1,000	–	1,201	11,002	13,371
Transfer	16,276	20,541	99,426	–	–	–	2,206	(138,449)	–
Capital contribution to a jointly controlled entity	–	–	(23,781)	–	–	–	–	–	(23,781)
Disposal to a jointly controlled entity	(16,107)	–	(73,986)	–	–	–	–	–	(90,093)
Depreciation	(651)	(19,311)	(3,901)	(24,915)	(8,345)	(712)	(5,588)	–	(63,423)
Closing net book amount	11,831	649,178	37,348	507,501	13,343	13,362	8,869	103,576	1,345,008
At 31 December 2010									
Cost	18,200	796,745	58,177	658,048	52,600	16,922	29,516	106,746	1,736,954
Accumulated depreciation	(6,369)	(147,567)	(20,829)	(150,547)	(39,257)	(3,560)	(20,647)	–	(388,776)
Accumulated impairment losses	–	–	–	–	–	–	–	(3,170)	(3,170)
Net book amount	11,831	649,178	37,348	507,501	13,343	13,362	8,869	103,576	1,345,008

7. Land use rights

	Group RMB'000	Company RMB'000
At 1 January 2009		
Cost	1,116,173	503,982
Accumulated amortisation	(117,132)	(57,032)
Net book amount	999,041	446,950
Year ended 31 December 2009		
Opening net book amount	999,041	446,950
Additions	1,684	—
Transfer from construction-in-progress (Note 6)	111,281	111,281
Capital contribution to a jointly controlled entity	(53,622)	(109,496)
Amortisation	(23,809)	(11,088)
Closing net book amount	1,034,575	437,647
At 31 December 2009		
Cost	1,174,313	504,564
Accumulated amortisation	(139,738)	(66,917)
Net book amount	1,034,575	437,647
Year ended 31 December 2010		
Opening net book amount	**1,034,575**	**437,647**
Amortisation	**(23,647)**	**(9,894)**
Closing net book amount	**1,010,928**	**427,753**
At 31 December 2010		
Cost	**1,174,313**	**504,564**
Accumulated amortisation	**(163,385)**	**(76,811)**
Net book amount	**1,010,928**	**427,753**

The Group's and the Company's interests in land use rights represent operating lease prepayments for the use of land in the PRC which are held on leases between 26 and 50 years.

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8. Intangible assets

Movement in intangible assets is set out as follows:

(a) Group

	Port line use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2009			
Cost	39,122	14,194	53,316
Accumulated amortisation	(7,079)	(6,789)	(13,868)
Net book amount	32,043	7,405	39,448
Year ended 31 December 2009			
Opening net book amount	32,043	7,405	39,448
Additions	20,372	1,223	21,595
Amortisation	(1,105)	(2,497)	(3,602)
Closing net book amount	51,310	6,131	57,441
At 31 December 2009			
Cost	59,494	15,417	74,911
Accumulated amortisation	(8,184)	(9,286)	(17,470)
Net book amount	51,310	6,131	57,441
Year ended 31 December 2010			
Opening net book amount	51,310	6,131	57,441
Additions	—	554	554
Disposals	—	(22)	(22)
Amortisation	(1,211)	(2,505)	(3,716)
Closing net book amount	50,099	4,158	54,257
At 31 December 2010			
Cost	59,494	15,948	75,442
Accumulated amortisation	(9,395)	(11,790)	(21,185)
Net book amount	50,099	4,158	54,257

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") and Xiamen Haicang International Container Terminals Ltd. ("XHICT"), which are jointly controlled entities of the Group, and are amortised on a straight-line basis over 45 to 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.

8. Intangible assets (Continued)

(b) Company

	Computer software RMB'000	Total RMB'000
At 1 January 2009		
Cost	—	—
Accumulated amortisation	—	—
Net book amount	—	—
Year ended 31 December 2009		
Opening net book amount	—	—
Additions	41	41
Amortisation	(2)	(2)
Closing net book amount	39	39
At 31 December 2009		
Cost	41	41
Accumulated amortisation	(2)	(2)
Net book amount	39	39
Year ended 31 December 2010		
Opening net book amount	39	39
Additions	35	35
Amortisation	(15)	(15)
Closing net book amount	59	59
At 31 December 2010		
Cost	76	76
Accumulated amortisation	(17)	(17)
Net book amount	59	59

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9. Investments in subsidiaries

	Company	
	2010 RMB'000	2009 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)	**2,104,628**	2,452,960

(a) This represents the Company's investment in Xiamen Port Development Co., Ltd. ("XPD"), a company listed in the Shenzhen Stock Exchange. XPD completed its share conversion scheme on 18 October 2006 and the non-publicly tradable shares of XPD held by the Company became restricted A-Shares and will be tradable in the Shenzhen Stock Exchange after 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 of the above restricted A-Shares held by the Company is determined by reference to the market price of RMB7.19 per share (2009: RMB8.38 per share) for the listed shares of XPD as at 31 December 2010. However, this should not be comparable to actual value of the Company's investments in XPD as they are not freely tradable during the Lock-up Period.

Particulars of the Company's subsidiaries are set out in Note 42(a).

10. Investments in jointly controlled entities

(a) Group

As at 31 December 2010, the Group's investment costs in the jointly controlled entities, which are unlisted, amounted to RMB934,890,000 (2009: RMB883,482,000).

10. Investments in jointly controlled entities (Continued)

(a) Group (Continued)

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

	2010 RMB'000	2009 RMB'000
Assets:		
Non-current assets	1,145,824	1,049,179
Current assets	153,305	148,530
	1,299,129	1,197,709
Liabilities:		
Non-current liabilities	(194,872)	(166,176)
Current liabilities	(72,780)	(84,627)
	(267,652)	(250,803)
Net assets	1,031,477	946,906

	2010 RMB'000	2009 RMB'000
Revenues	187,010	157,139
Expenses	(112,735)	(100,255)
Profit before income tax expense	74,275	56,884
Income tax expense	(5,123)	(4,644)
Profit for the year	69,152	52,240

As at 31 December 2010, the Group had interests in six jointly controlled entities namely, XICT, Xiamen Gangtong Logistics Co., Ltd. ("Gangtong"), XHICT, Xiamen Port YCH Logistics Co., Ltd. ("XPYCH"), Xiamen Port Container Co., Ltd. ("XPC"), and Xiamen Port Baohe Logistics Co., Ltd. ("XPBL").

All of the jointly controlled entities are established in the PRC and the Group has no unilateral control over the financial and operating policies of these jointly controlled entities. The Group's equity interests in XICT, Gangtong, XHICT, XPYCH, XPC, and XPBL are 51%, 50%, 51%, 60%, 51% and 35% respectively as at 31 December 2010.

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10. Investments in jointly controlled entities (Continued)

(a) Group (Continued)

As at 31 December 2010, there are no contingent liabilities relating to the Group's interests in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves (2009: Nil).

Particulars of the Group's jointly controlled entities are set out in Note 42(b).

(b) Company

	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	286,628	235,220

11. Interests in associates

	Group	
	2010 RMB'000	2009 RMB'000
Share of net assets	34,954	34,659
Unlisted investments, at cost	23,270	23,270

Movement in interests in associates is set out as follows:

	Group	
	2010 RMB'000	2009 RMB'000
At 1 January	34,659	34,539
Dividends received	(1,086)	(1,334)
Share of results before income tax expense	1,806	1,874
Share of income tax expense	(425)	(420)
	1,381	1,454
At 31 December	34,954	34,659

11. Interests in associates (Continued)

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

	Group	
	2010	2009
	RMB'000	RMB'000
Total assets	41,373	35,834
Total liabilities	6,419	1,175

	Group	
	2010	2009
	RMB'000	RMB'000
Revenues	15,251	16,467
Profit for the year	1,381	1,454

Particulars of the Group's associates are set out in Note 42(c).

12. Available-for-sale financial assets

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	155,512	59,516	150,986	54,990
Addition	2,295	—	2,295	—
Net fair value (losses)/gains transfer to equity	(60,442)	95,996	(60,442)	95,996
At 31 December	97,365	155,512	92,839	150,986

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12. Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Equity investments listed in the PRC, at fair value (a)	92,839	150,986	92,839	150,986
Unlisted equity investments, at cost (b)	9,526	9,526	5,000	5,000
Less: provision for impairment (b)	(5,000)	(5,000)	(5,000)	(5,000)
	97,365	155,512	92,839	150,986

(a) The Group holds 6,600,000 (2009: 6,600,000) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") and 3,910,000 (2009: 3,400,000) shares of Bank of Communications Co., Ltd. (the "BOCOMM Shares"), which are listed in the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. The fair values of these investments are determined based on the closing market prices of respective shares as of the balance sheet dates.

The aggregated costs of investments in the Sansteel Shares and BOCOMM Shares amounted to RMB18,385,000 (2009: RMB16,090,000).

(b) The directors have considered that the range of reasonable estimates on the fair value of the 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. As at 31 December 2010 and 2009, impairment provision amounted to RMB5,000,000 for certain of the unlisted investments.

13. Deferred income tax

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Deferred income tax assets				
At 1 January	52,473	53,802	1,532	1,751
Credited/(charged) to:				
— consolidated income statement	234	(1,329)	(113)	(219)
At 31 December	52,707	52,473	1,419	1,532
To be recovered:				
Within 12 months	1,562	591	—	—
After more than 12 months	51,145	51,882	1,419	1,532
	52,707	52,473	1,419	1,532
Deferred income tax liabilities				
At 1 January	37,643	13,938	33,724	9,725
(Credited)/charged to:				
— consolidated income statement	(453)	(294)	—	—
— other comprehensive income	(15,110)	23,999	(15,110)	23,999
At 31 December	22,080	37,643	18,614	33,724
To be settled:				
Within 12 months	364	324	—	—
After more than 12 months	21,716	37,319	18,614	33,724
	22,080	37,643	18,614	33,724

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13. Deferred income tax (Continued)

The principal components of deferred income tax assets and liabilities provided for are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Deferred income tax assets				
Revaluation surplus in connection with asset swap with XPD (a)	28,879	30,102	—	—
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity (b)	10,646	10,906	—	—
Unrealised gain on contribution of land use right to a jointly controlled entity (c)	1,682	1,711	—	—
Fair value loss on derivative financial instrument	794	907	794	907
Provisions for impairment of				
— receivables	9,467	7,908	—	—
— available-for-sale financial assets	625	625	625	625
— inventories	499	166	—	—
— property, plant and equipment	115	148	—	—
	52,707	52,473	1,419	1,532

(a) The balance represents the deferred income tax assets resulting from the 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 forms the base for calculating the future taxable profits. However, the accounting base of the Assets has not been adjusted for such surplus in the consolidated financial statements, and deferred income tax assets have therefore been recognised accordingly.

(b) 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, deferred income tax assets were recognised for the related temporary differences.

13. Deferred income tax (Continued)

(c) In 2008, XPD, a subsidiary of the Company, transferred certain land use right as its capital contribution to XPYCH, an equity joint venture established in the PRC in which XPD holds 60% equity interests. An unrealised gain attributable to the Group amounting to RMB7,166,000 was taxable immediately at the time of transfer of the aforesaid land use right under the relevant PRC tax rules. As the unrealised gain would be realised on the straight-line basis over the useful life of the related land use right, deferred income tax asset was recognised for the related temporary difference.

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Deferred income tax liabilities				
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd.	3,466	3,919	—	—
Fair value gain on available-for-sale financial assets	18,614	33,724	18,614	33,724
	22,080	37,643	18,614	33,724

14. Inventories

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Raw materials	4,309	4,229	—	—
Finished goods and merchandise	117,148	91,457	—	—
Spare parts and consumables	39,935	41,788	1,243	1,286
	161,392	137,474	1,243	1,286
Less: provision for impairment	(2,078)	(757)	—	—
	159,314	136,717	1,243	1,286

The raw materials primarily comprise fuel and oil. Finished goods and merchandise primarily represent building materials and the industrial products for the Group's business of building materials and trading of industrial products. 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 of the Group amounted to RMB805,901,000 (2009: RMB835,760,000).

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15. Accounts and notes receivable

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Accounts receivable	572,603	547,056	35,052	24,855
Less: provision for impairment	(31,318)	(25,425)	(302)	(302)
	541,285	521,631	34,750	24,553
Due from subsidiaries	—	—	21,102	15,864
Due from fellow subsidiaries (Note 40(b))	1,666	1,340	—	—
Due from other related parties (Note 40(b))	13,538	16,561	—	—
Notes receivable	25,190	51,597	—	—
	581,679	591,129	55,852	40,417

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 histories. Revenues from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Less than 6 months	512,113	524,220	56,124	40,697
6 months to 1 year	40,328	17,211	8	8
1 year to 2 years	21,029	55,021	8	14
2 years to 3 years	22,576	5,624	14	—
Over 3 years	16,951	14,478	—	—
	612,997	616,554	56,154	40,719
Less: provision for impairment	(31,318)	(25,425)	(302)	(302)
	581,679	591,129	55,852	40,417

15. Accounts and notes receivable (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 subsidiaries, fellow subsidiaries and other related parties are unsecured, interest free and subject to agreed credit terms.

As of 31 December 2010, the Group's trade receivables of RMB483,201,000 (2009: RMB469,152,000) were fully performing.

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2010, the Group's accounts receivable of RMB39,147,000 (2009: RMB16,923,000) were past due but not impaired.

The Group obtained certain property, plant and equipment and land use rights as collateral against accounts receivable of RMB17,217,000 (2009: RMB36,394,000) as at 31 December 2010 which were aged between 2 to 3 years. The provision amounted to RMB8,600,000 (2009: RMB6,000,000) for the receivable after considering the value of the collateral assets obtained and the debtors' financial position (Note 41). The Group does not hold any collateral as security for the rest of the accounts and notes receivable. The remaining impaired accounts receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

As at the balance sheet date, the ageing of these impaired receivables is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Less than 6 months	3,722	3,471
6 months to 1 year	1,181	288
1 year to 2 years	21,029	55,021
2 years to 3 years	22,576	5,624
Over 3 years	16,951	14,478
	65,459	78,882

As at 31 December 2010, no significant accounts receivable of the Company are either past due or impaired.

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15. Accounts and notes receivable (Continued)

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	510,047	476,930	55,852	40,417
USD	71,632	114,199	—	—
	581,679	591,129	55,852	40,417

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At 1 January	25,425	22,749	302	302
Provision for impairment	5,901	3,502	—	—
Uncollectible receivables written off during the year	(8)	(826)	—	—
At 31 December	31,318	25,425	302	302

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement (Note 30). 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 balance sheet date is the carrying amount of each class of receivables mentioned above.

16. Other receivables and prepayments

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other receivables	59,018	68,530	6,043	4,813
Advances to suppliers	141,524	243,649	—	—
Less: provision for impairment	(18,449)	(19,014)	—	—
	182,093	293,165	6,043	4,813
Due from parent company (Note 40(b))	415	364	—	—
Due from subsidiaries (a)	—	—	55,933	74,988
Due from fellow subsidiaries (Note 40(b))	6,008	1,284	—	—
Due from associates (b) (Note 40(b))	6,013	—		
Prepayments and deposits	469	262	—	—
Interest receivable	1,035	1,146	727	499
Dividends receivable	—	—	80,313	80,779
	196,033	296,221	143,016	161,079

(a) The balance as at 31 December 2010 mainly represents an entrusted loan granted by the Company to XPD with a principal amount of RMB40,000,000 (2009: RMB70,000,000) at a fixed interest rate of 4.48% (2009: 4.248%) per annum. The loan will be matured in 2011.

(b) As at 31 December 2010, the receivables from associates bear interest rates ranging from 5.31% to 5.4% per annum, which will be matured in 2011.

Except for the entrusted loan to XPD and the amount due from associates as mentioned above, the amounts due from the parent company, subsidiaries and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

As at 31 December 2010, none of the Company's receivable balances as mentioned above is either past due or impaired.

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16. Other receivables and prepayments (Continued)

Ageing analysis of the gross other receivable and prepayments in nature (including amounts due from parent company, subsidiaries, fellow subsidiaries and associates) at respective balance sheet dates are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Less than 6 months	158,778	225,969	142,810	160,143
6 months to 1 year	12,458	22,770	—	—
1 year to 2 years	8,417	36,972	2	936
2 years to 3 years	12,166	23,568	204	—
Over 3 years	22,663	5,956	—	—
	214,482	315,235	143,016	161,079
Less: provision for impairment	(18,449)	(19,014)	—	—
	196,033	296,221	143,016	161,079

Movements on the provision for impairment of the Group's other receivables and prepayments are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
At 1 January	19,014	17,256
(Reversal of)/provision for impairment	(565)	1,758
At 31 December	18,449	19,014

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 30). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

16. Other receivables and prepayments (Continued)

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2010 is the carrying amount of each class of receivables and prepayments mentioned above. The Group obtained collaterals of certain property, plant and equipment and land use rights as security for a receivable (the "Receivable") balance of RMB15,105,000 (2009: RMB20,855,000) (Note 41) and several advances (the "Advances") to suppliers of RMB10,837,000 (2009: RMB24,870,000) (Note 41) as at 31 December 2010 respectively. Provisions amounted to RMB8,043,000 (2009: RMB8,043,000) and RMB3,480,000 (2009: RMB3,480,000) for the Receivable and Advances respectively. The Group does not hold any collateral as security for the rest of the other receivables and prepayments.

17. Term deposits with initial term of over three months

	Group	
	2010 RMB'000	2009 RMB'000
Term deposits denominated in:		
RMB	45,111	90,911
USD	39,736	40,969
	84,847	131,880

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.52% (2009: 3.00%) per annum.

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

18. Restricted cash — Group

The restricted cash was held in designated bank accounts under the names of certain subsidiaries of the Group as for the maintenance of staff quarters and as guarantee deposits for notes payable, letters of credit and security for bank borrowings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

19. Cash and cash equivalents

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash at bank and in hand	773,321	540,896	229,941	118,093
Short-term bank deposits	465,830	397,541	249,000	126,000
	1,239,151	938,437	478,941	244,093
Less: term deposits with initial term of over three months (Note 17)	(84,847)	(131,880)	—	—
Cash and cash equivalents	1,154,304	806,557	478,941	244,093
Maximum exposure to credit risk (net of cash in hand)	1,154,212	806,400	478,934	244,082
Denominated in:				
RMB	1,055,869	669,383	478,934	241,259
USD	82,838	102,925	5	2,832
HKD	15,597	34,249	2	2
	1,154,304	806,557	478,941	244,093

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 days to 90 days, was 1.67% (2009: 1.55%) per annum.

The Group's and the Company'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.

20. Accounts and notes payable

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Accounts payable	460,223	406,004	4,178	121
Due to parent company (Note 40(b))	—	12,130	—	12,130
Due to subsidiaries	—	—	—	3,904
Due to fellow subsidiaries (Note 40(b))	5,981	4,283	2,237	2,274
Notes payable	214,161	278,654	—	—
	680,365	701,071	6,415	18,429

20. Accounts and notes payable (Continued)

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 1 year	677,805	699,408	6,230	18,429
1 year to 2 years	2,250	1,501	185	—
2 years to 3 years	285	140	—	—
Over 3 years	25	22	—	—
	680,365	701,071	6,415	18,429

Notes payable are with average maturity dates of within 6 months.

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

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	513,492	484,606	6,415	18,429
USD	166,749	216,446	—	—
EUR	124	19	—	—
	680,365	701,071	6,415	18,429

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

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21. Other payables and accruals

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Due to parent company (Note 40(b))	6,161	2,919	—	—
Due to subsidiaries	—	—	57,609	55,682
Due to fellow subsidiaries (a) (Note 40(b))	20,035	7,955	—	—
Due to other related parties (Note 40(b))	41,371	31,449	27,063	20,374
Payables for purchases of property, plant and equipment and construction-in-progress	51,966	118,006	30,950	57,549
Salary and welfare payables	119,747	105,495	4,568	4,535
Customer deposits	105,707	113,567	4,980	3,261
Accrued expenses	9,623	6,719	2,653	2,503
Dividends payable to				
— shareholders of the Company	3,020	1,189	3,020	1,189
— Non-controlling shareholders of subsidiaries (Note 40(b))	19,879	4,107	—	—
Other payables	124,080	87,061	79,555	36,059
	501,589	478,467	210,398	181,152

(a) As at 31 December 2010, balances due to fellow subsidiaries of RMB2,000,000 and RMB3,000,000 bear interest rates of 4.20% and 3.88% per annum respectively, which will be repaid in 2011.

Excepted for the payables as mentioned above, the amounts due to the parent company, subsidiaries, fellow subsidiaries and other related parties are unsecured, interest free and have no fixed terms of repayment.

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

22. Derivative financial instrument

	Group and Company	
	2010	2009
	RMB'000	RMB'000
	Liabilities	Liabilities
Interest rate swap contract	6,355	7,258

As at 31 December 2010 and 2009, the Company had an outstanding interest rate swap contract with a financial institution under which the Company agreed to swap the floating rate at London Inter-bank Offered Rate with the fixed rate of 5.2% per annum.

The notional principal amount of the outstanding interest rate swap contract at 31 December 2010 amounted to USD10,867,000 (2009: USD11,393,000), equivalent to approximately RMB71,970,000 (2009: RMB77,794,000).

The derivative financial instrument does not qualify for hedge accounting.

23. Deferred government grants and income

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	30,149	33,236	—	—
Government grants on purchases of property, plant and equipment (b)	91,032	100,011	72,918	87,663
	121,181	133,247	72,918	87,663

(a) Prior to 2008, the Group purchased certain domestic manufactured equipments. Pursuant to Cai Shui Zi [1999] Document No. 290 "The Notice concerning the Reduction in Corporate Income Tax for Purchases of Domestic Manufactured Equipment" 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.

Such tax credit available was deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

23. Deferred government grants and income (Continued)

(b) Prior to 31 December 2005, the Company received certain government grants in connection with the purchases of property, plant and equipment and land use right for the further development of the ports in Xiamen. These grants are deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

24. Borrowings

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Non-current				
Long-term bank borrowings	287,742	268,783	68,141	74,203
Current				
Short-term bank borrowings	96,097	109,500	—	—
Long-term bank borrowings				
— current portion	8,389	6,470	3,829	3,590
	104,486	115,970	3,829	3,590
Total borrowings	392,228	384,753	71,970	77,793
Representing:				
— guaranteed (a)	71,970	77,793	71,970	77,793
— secured (b)	26,298	—	—	—
— unguaranteed and unsecured	293,960	306,960	—	—
Total borrowings	392,228	384,753	71,970	77,793
Analysed as follows:				
— wholly repayable within five years	96,097	109,500	—	—
— not wholly repayable within five years	296,131	275,253	71,970	77,793
Total borrowings	392,228	384,753	71,970	77,793

24. Borrowings (Continued)

(a) As at 31 December 2010, a bank borrowing of RMB71,970,000 (2009: RMB77,793,000) is guaranteed by a state-owned bank.

(b) As at 31 December 2010, a bank borrowing of RMB26,298,000 is secured by letters of credit (2009: Nil).

Total borrowings at respective balance sheet dates are repayable as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Bank borrowings repayable:				
— within 1 year	104,486	115,970	3,829	3,590
— between 1 and 2 years	8,793	8,507	4,233	3,947
— between 2 and 5 years	29,125	28,135	15,445	14,455
— over 5 years	249,824	232,141	48,463	55,801
	392,228	384,753	71,970	77,793

The Group's and the Company's borrowings as at the respective balance sheet date are denominated in the following currencies:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	320,258	306,960	—	—
USD	71,970	77,793	71,970	77,793
Total borrowings	392,228	384,753	71,970	77,793

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

	Group		Company	
	2010	2009	2010	2009
Bank borrowings				
— RMB	5.12%	4.72%	—	—
— USD	5.20%	5.20%	5.20%	5.20%

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24. Borrowings (Continued)

The carrying amounts of short-term bank borrowings and current portion of long-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Carrying amounts	287,742	268,783	68,141	74,203
Fair values	271,352	257,443	64,404	71,563

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 and the Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

25. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2010 and 2009	1,739,500	986,700	2,726,200

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 owners, 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.

25. Share capital (Continued)

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.

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 had 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.

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 PRC law from time to time.

During the year ended 31 December 2010, there was no movement in the share capital of the Company (2009: Nil).

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26. Reserves

(a) Group

	Note	Other reserves					
		Capital surplus RMB'000 (ii)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009		(459,530)	73,932	29,175	(356,423)	1,374,139	1,017,716
Fair value gains on available-for-sale financial assets		—	—	71,997	71,997	—	71,997
— Gross		—	—	95,996	95,996	—	95,996
— Related deferred income tax		—	—	(23,999)	(23,999)	—	(23,999)
Profit for the year		—	—	—	—	205,091	205,091
2008 final dividend		—	—	—	—	(149,941)	(149,941)
Profit appropriation	(i)	—	21,984	—	21,984	(21,984)	—
Balance at 31 December 2009		(459,530)	95,916	101,172	(262,442)	1,407,305	1,144,863
Representing:							
— 2009 proposed final dividend		—	—	—	—	136,310	136,310
— Others		(459,530)	95,916	101,172	(262,442)	1,270,995	1,008,553
		(459,530)	95,916	101,172	(262,442)	1,407,305	1,144,863
Fair value losses on available-for-sale financial assets		—	—	(45,332)	(45,332)	—	(45,332)
— Gross		—	—	(60,442)	(60,442)	—	(60,442)
— Related deferred income tax		—	—	15,110	15,110	—	15,110
Profit for the year		—	—	—	—	325,814	325,814
2009 final dividend		—	—	—	—	(136,310)	(136,310)
2010 interim dividend		—	—	—	—	(109,048)	(109,048)
Profit appropriation	(i)	—	33,447	—	33,447	(33,447)	—
Balance at 31 December 2010		(459,530)	129,363	55,840	(274,327)	1,454,314	1,179,987
Representing:							
— 2010 proposed final dividend		—	—	—	—	245,358	245,358
— Others		(459,530)	129,363	55,840	(274,327)	1,208,956	934,629
		(459,530)	129,363	55,840	(274,327)	1,454,314	1,179,987

26. Reserves (Continued)

(a) Group (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 Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") 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 issued capital after such issuance. The current year profit appropriation represented the Company's profit appropriation to statutory surplus reserve.

(ii) The negative balance of capital surplus was mainly resulted from the re-organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts.

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26. Reserves (Continued)

(b) Company

	Note	Other reserves: Capital surplus RMB'000	Other reserves: Statutory surplus reserve RMB'000	Other reserves: Investment revaluation reserve RMB'000	Other reserves: Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009		(61,484)	73,932	29,175	41,623	870,671	912,294
Fair value gains on available-for-sale financial assets		—	—	71,997	71,997	—	71,997
— Gross		—	—	95,996	95,996	—	95,996
— Related deferred income tax		—	—	(23,999)	(23,999)	—	(23,999)
Profit for the year	33	—	—	—	—	217,297	217,297
2008 final dividend		—	—	—	—	(149,941)	(149,941)
Profit appropriation	26(a)(i)	—	21,984	—	21,984	(21,984)	—
Balance at 31 December 2009		(61,484)	95,916	101,172	135,604	916,043	1,051,647
Representing:							
— 2009 proposed final dividend		—	—	—	—	136,310	136,310
— Others		(61,484)	95,916	101,172	135,604	779,733	915,337
		(61,484)	95,916	101,172	135,604	916,043	1,051,647
Fair value losses on available-for-sale financial assets		–	–	(45,332)	(45,332)	–	(45,332)
— Gross		–	–	(60,442)	(60,442)	–	(60,442)
— Related deferred income tax		–	–	15,110	15,110	–	15,110
Profit for the year	33	–	–	–	–	361,564	361,564
2009 final dividend		–	–	–	–	(136,310)	(136,310)
2010 interim dividend		–	–	–	–	(109,048)	(109,048)
Profit appropriation	26(a)(i)	–	33,447	–	33,447	(33,447)	–
Balance at 31 December 2010		(61,484)	129,363	55,840	123,719	998,802	1,122,521
Representing:							
— 2010 proposed final dividend		–	–	–	–	245,358	245,358
— Others		(61,484)	129,363	55,840	123,719	753,444	877,163
		(61,484)	129,363	55,840	123,719	998,802	1,122,521

27. Revenues and segment information

(a) Revenues and other income

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

	2010 RMB'000	2009 RMB'000
Revenues	**2,241,717**	2,065,904
Other income		
Subsidy income	**8,713**	6,167
Dividend income	**1,193**	878
Rental income	**20,856**	18,021
Others	**5,789**	18,615
	36,551	43,681
Total	**2,278,268**	2,109,585

(b) Segment information

Management meetings are held on regular basis to make strategic decisions. Management has determined the operating segments based on the reports reviewed in the management meetings.

Management considers the business from service/product perspective and assesses the performance of the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) ancillary value-added port services; (4) manufacturing and selling of building materials; and (5) trading of industrial products. As all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, management did not evaluate segment on geographical basis.

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27. Revenues and segment information (Continued)

(b) Segment information (Continued)

The segment information provided to management for the reportable segments for the year ended 31 December 2010 is as follows:

	For the year ended 31 December 2010					
	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 segment revenues	768,518	168,707	662,200	227,560	500,181	2,327,166
Inter-segment revenues	–	–	(85,449)	–	–	(85,449)
Revenues	768,518	168,707	576,751	227,560	500,181	2,241,717
Operating profit/(loss)	292,678	9,357	159,982	(16,790)	14,501	459,728
Finance income						13,479
Finance costs						(15,939)
						457,268
Share of results of associates	–	–	1,428	(47)	–	1,381
Profit before income tax expense						458,649
Income tax expense						(52,528)
Profit for the year						406,121
Other information						
Depreciation	106,093	26,205	39,280	8,510	354	180,442
Amortisation	16,406	4,444	6,437	35	41	27,363
Provision for/(reversal of) impairment of						
— inventories	–	900	129	290	1,179	2,498
— receivables and advances to suppliers	–	(567)	1,848	2,878	1,177	5,336

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

The segment information provided to management for the reportable segments for the year ended 31 December 2009 is as follows:

	For the year ended 31 December 2009					
	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 segment revenues	630,721	122,354	565,100	283,099	536,877	2,138,151
Inter-segment revenues	—	—	(72,247)	—	—	(72,247)
Revenues	630,721	122,354	492,853	283,099	536,877	2,065,904
Operating profit/(loss)	180,042	(5,416)	131,108	9,408	7,679	322,821
Finance income						14,447
Finance costs						(27,951)
						309,317
Share of results of associates	—	—	1,276	178	—	1,454
Profit before income tax expense						310,771
Income tax expense						(39,588)
Profit for the year						271,183
Other information						
Depreciation	102,682	28,450	41,417	11,995	412	184,956
Amortisation	16,448	4,440	6,433	44	46	27,411
Provision for/(reversal of) impairment of						
— inventories	—	—	(67)	41	—	(26)
— receivables and advances to suppliers	529	405	970	1,680	1,676	5,260
— property, plant and equipment	3,170	—	—	—	—	3,170

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For the year ended 31 December 2010

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

The segment information provided to management for the reportable segments as at 31 December 2010 and 31 December 2009 is as follows:

	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	Total RMB'000
As at 31 December 2010						
Segment assets	3,735,899	423,273	1,734,148	236,673	329,342	6,459,335
Include:						
Interests in associates	—	—	33,862	1,092	—	34,954
Additions to non-current assets	18,043	10,801	122,961	4,074	37	155,916
Segment liabilities	385,652	26,444	545,118	122,729	225,520	1,305,463
As at 31 December 2009						
Segment assets	3,648,494	437,648	1,582,467	252,871	416,672	6,338,152
Include:						
Interests in associates	—	—	33,520	1,139	—	34,659
Additions to non-current assets	158,138	18,838	47,026	6,125	123	230,250
Segment liabilities	399,016	15,878	471,308	130,151	299,836	1,316,189

Management assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the result for each operating segment that is reviewed by management. Other information provided, except as noted below, to management is measured in a manner consistent with that in the financial statements.

Segment assets mainly exclude deferred income tax assets and available-for-sale financial assets. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable, derivative financial instrument and borrowings. These are part of the reconciliation to total balance sheet liabilities.

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the management meeting is measured in a manner consistent with that in the consolidated income statement.

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	2010 RMB'000	2009 RMB'000
Total segment assets	6,459,335	6,338,152
Deferred income tax assets	52,707	52,473
Available-for-sale financial assets	97,365	155,512
	6,609,407	6,546,137

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

	2010 RMB'000	2009 RMB'000
Total segment liabilities	1,305,463	1,316,189
Deferred income tax liabilities	22,080	37,643
Taxes payable	16,135	12,441
Derivative financial instrument	6,355	7,258
Borrowings	392,228	384,753
	1,742,261	1,758,284

28. Other gains — net

	2010 RMB'000	2009 RMB'000
Gain from the capital contribution to a jointly controlled entity (a)	13,524	12,887
Fair value gain on derivative financial instrument	903	1,750
Gain on disposal of property, plant and equipment (b)	29,886	1,065
Exchange gain not related to borrowings and cash and cash equivalents	405	—
	44,718	15,702

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28. Other gains — net (Continued)

(a) In December 2010, the Company injected cash of RMB300 and certain property, plant and equipment with its carrying value of RMB23,781,000 to XHICT as its third capital contribution of RMB51,408,000 to XHICT. The gain on the capital contribution amounted to RMB27,601,000 (the "Gain From Contribution") after deducting the related stamp tax of RMB26,000. 49% of the Gain From Contribution, being RMB13,524,000, has been recognised in the consolidated income statement for the year ended 31 December 2010. The unrealised portion of the Gain From Contribution of RMB14,077,000 is deferred and will be amortised on a straight-line basis over the useful lives of the related property, plant and equipment.

The gain in 2009 represented realised portion of the gain from capital contribution by the Company in the form of cash, a land use right and certain property, plant and equipment to XHICT.

(b) In December 2010, the Company disposed of certain property, plant and equipment with carrying amount of RMB90,093,000 to the Company's jointly controlled entity, XHICT at a cash consideration of RMB194,758,000 (the "Disposal"). The total gain from the Disposal, net of associated transaction taxes of RMB43,360,000, amounted to RMB61,305,000 (the "Total Gain"). The Group has recognised a realised portion of the Total Gain of RMB30,039,000, representing 49% of the Total Gain, in the consolidated income statement for the year ended 31 December 2010. The unrealised portion of the Total Gain of RMB31,266,000 is deferred and will be amortised on a straight-line basis over the useful lives of the related property, plant and equipment.

29. Employee benefit expenses

	2010 RMB'000	2009 RMB'000
Salaries, wages and bonuses	329,767	283,887
Welfare, medical and other expenses	64,439	56,388
Contributions to pension plans	67,509	64,695
Contributions to supplementary pension scheme	5,454	4,741
	467,169	409,711

29. Employee benefit expenses (Continued)

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 12.8% to 37.8% (2009: 13% to 36.5%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees, capped at the ceiling of 4% of the annual salary of the qualifying employees. The Group has no further obligation for payments of retirement and other post-retirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

30. Expenses by nature

	2010 RMB'000	2009 RMB'000
Cost of inventories sold/consumed (Note 14)	805,901	835,760
Employee benefit expenses (Note 29)	467,169	409,711
Depreciation of		
— investment property (Note 5)	913	843
— property, plant and equipment (Note 6)	179,529	184,113
Distribution, transportation and labour outsourcing	118,413	101,901
Business tax, stamp duty and real estate tax	79,454	66,341
Advertising and marketing expenses	24,251	22,806
Amortisation of		
— land use rights (Note 7)	23,647	23,809
— intangible assets (Note 8)	3,716	3,602
Operating lease rental in respect of property, plant and equipment	61,296	59,440
General office expenses	20,623	21,714
Repairs and maintenance	29,762	24,538
Insurance expenses	11,842	12,078
Auditors' remuneration	3,317	3,534
Provision/(reversal of provision) for impairment of		
— inventories	2,498	(26)
— receivables and advances to suppliers	5,336	5,260
— property, plant and equipment	—	3,170
Others	25,591	23,872
Total cost of sales, selling and marketing expenses and general and administrative expenses	1,863,258	1,802,466

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31. Finance income and costs

	2010 RMB'000	2009 RMB'000
Interest income	10,978	14,372
Net foreign exchange gain	2,501	75
	13,479	14,447
Interests on bank borrowings	(18,027)	(30,263)
Less: amounts capitalised	2,088	2,312
	(15,939)	(27,951)
Finance costs — net	(2,460)	(13,504)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the year ended 31 December 2010 was 5.31% (2009: 4.78%) per annum.

32. 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 2010 (2009: Nil).

The Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National People's Congress has standardised the corporate income tax rate to 25% with effect from 1 January 2008. Prior to the effective date of the new CIT Law, all of the Company's subsidiaries and jointly controlled entities (other than XICT and XHICT) (collectively the "Entities") were all entitled to the preferential corporate income tax rate of 15%. Pursuant to the new CIT Law, the Entities can still enjoy a transitional period to gradually increase the applicable tax rate to 25% over a period of five years. Hence, the applicable tax rates for the Entities in the coming five years, starting from 1 January 2008, would be 18%, 20%, 22%, 24% and 25% respectively. For the year ended 31 December 2010, the applicable tax rate for the Entities is 22%.

32. Taxation (Continued)

(a) Income tax expense (Continued)

The Company is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2007. The current year is the fourth year which the Company could enjoy the corporate income tax exemption. Given the tax preferential treatment remains valid under the new CIT Law, therefore the Company has not made any provision for corporate income tax for the year ended 31 December 2010 (2009: Nil).

XICT is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from its first cumulative profit-making year in 2001. The current year is the fifth year which XICT should enjoy the 50% reduction in corporate income tax. Given the tax preferential treatment remains valid under the new CIT Law, the applicable corporate income tax rate for XICT for the year ended 31 December 2010 was 11% (2009: 10%).

XHICT is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2008. The current year is the third year which XHICT could enjoy the corporate income tax exemption. Given the tax preferential treatment remains valid under the new CIT Law, therefore XHICT has not made any provision for corporate income tax for the year ended 31 December 2010 (2009: Nil).

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

	2010 RMB'000	2009 RMB'000
PRC corporate income tax	53,215	38,553
Deferred income tax (credit)/charge (Note 13)	(687)	1,035
	52,528	39,588

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For the year ended 31 December 2010

32. 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 expense can be reconciled as follows:

	2010 RMB'000	2009 RMB'000
Profit before income tax expense	458,649	310,771
Less: share of results of associates	(1,381)	(1,454)
	457,268	309,317
Tax calculated at the applicable tax rate of 22% (2009: 20%)	100,599	61,863
Effect of tax holidays of:		
— the Company	(43,868)	(18,451)
— XICT	(4,821)	(3,599)
— XHICT	(6,848)	(4,573)
Tax losses that no deferred tax assets recognised	4,361	2,506
Income not subject to income tax	(262)	(176)
Expenses not deductible for income tax purposes	2,625	1,948
Others	742	70
Income tax expense	52,528	39,588

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

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

(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 raw material or 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. All subsidiaries subject to VAT are also subject to CCT based on 7% of net VAT payable, and ES based on 4% of net VAT payable.

33. Profit attributable to owners of the parent

The profit attributable to owners of the parent for the year ended 31 December 2010 are dealt with in the financial statements of the Company to the extent of RMB361,564,000 (2009: RMB217,297,000).

34. Dividends

	2010 RMB'000	2009 RMB'000
Final, proposed dividend		
— Domestic share	156,555	86,975
— H-share	88,803	49,335
	245,358	136,310

At a meeting held on 25 March 2011, the directors of the Company proposed a final dividend of RMB9 cents per share (tax inclusive) for the year ended 31 December 2010. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 7 June 2011, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

35. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent for the year ended 31 December 2010 of RMB325,814,000 (2009: RMB205,091,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2009: 2,726,200,000) shares.

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

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36. Emoluments of directors and supervisors

	2010 RMB'000	2009 RMB'000
Directors and supervisors		
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,085	2,903
Contributions to pension plans	298	263
Discretionary bonuses	2,178	1,756
	5,561	4,922

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

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

Year ended 31 December 2010

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Directors and supervisors				
Zheng Yongen	345	39	339	723
Chen Dingyu	307	39	303	649
Fu Chengjing	88	—	—	88
Miao Luping	88	—	—	88
Lin Kaibiao	88	—	—	88
Fang Yao	316	39	303	658
Huang Zirong	280	37	267	584
Hong Lijuan	283	37	267	587
Ke Dong	291	40	288	619
Huang Shizhong	88	—	—	88
Zhen Hong	88	—	—	88
Hui Wang Chueng	198	—	—	198
Fang Zuhui	55	—	—	55
Luo Jianzhong	55	—	—	55
Wu Jianliang	186	29	194	409
Wu Weijian	219	38	217	474
Tang Jinmu	55	—	—	55
He Shaoping	55	—	—	55
	3,085	298	2,178	5,561

36. Emoluments of directors and supervisors (Continued)

Year ended 31 December 2009

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Directors and supervisors				
Zheng Yongen	335	36	251	622
Chen Dingyu	259	36	249	544
Fu Chengjing	88	—	—	88
Miao Luping	88	—	—	88
Lin Kaibiao	88	—	—	88
Fang Yao	282	36	249	567
Huang Zirong	244	34	225	503
Hong Lijuan	246	34	225	505
Ke Dong	299	33	223	555
Huang Shizhong	88	—	—	88
Zhen Hong	88	—	—	88
Hui Wang Chueng	198	—	—	198
Fang Zuhui	55	—	—	55
Luo Jianzhong	55	—	—	55
Wu Jianliang	177	30	175	382
Wu Weijian	203	24	159	386
Tang Jinmu	55	—	—	55
He Shaoping	55	—	—	55
	2,903	263	1,756	4,922

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

	Number of individuals 2010	2009
Directors and supervisors		
Nil to HK$1,000,000 (equivalent to RMB850,930)	**18**	18

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

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36. Emoluments of directors and supervisors (Continued)

The five individuals whose emoluments were the highest in the Group during the current and the prior year are all directors whose emoluments are reflected in the analysis above.

37. Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax expense to net cash generated from operations:

	2010 RMB'000	2009 RMB'000
Profit before income tax expense	458,649	310,771
Adjustments for:		
— Share of results of associates	(1,381)	(1,454)
— Depreciation of property, plant and equipment	179,529	184,113
— Depreciation of investment property	913	843
— Amortisation of land use rights	23,647	23,809
— Amortisation of intangible assets	3,716	3,602
— Gain from capital contribution to a jointly controlled entity	(13,524)	(12,887)
— Gain on disposal of property, plant and equipment	(29,886)	(1,065)
— Fair value gain on derivative financial instrument	(903)	(1,750)
— Provision for impairment of property, plant and equipment	—	3,170
— Provision/(reversal of provision) for impairment of inventories	2,498	(26)
— Provision for impairment of receivables and advances to suppliers	5,336	5,260
— Dividend income	(1,193)	(878)
— Interest income	(10,978)	(14,372)
— Interest expenses	15,939	27,951
— Unrealised foreign exchange losses	879	151
	633,241	527,238
Changes in working capital:		
— Accounts and notes receivable	3,549	(103,574)
— Other receivables and prepayments	100,642	(8,815)
— Inventories	(25,095)	(3,644)
— Accounts and notes payable	(20,706)	166,612
— Other payables and accruals	15,090	(53,093)
— Restricted cash	4,965	52,260
Net cash generated from operations	711,686	576,984

(b) The major non-cash transactions for the year ended 31 December 2010 and 2009 represented the Group's non-monetary capital contribution to XHICT, details of which are set out in Note 28(a).

38. Commitments

(a) Capital commitments

(i) The Group's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Purchases of property, plant and equipment		
— the Group	105,474	297,222
— a jointly controlled entity	7,714	—
	113,188	297,222

(ii) The Company's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Company	
	2010 RMB'000	2009 RMB'000
Purchases of property, plant and equipment	91,669	274,054

Committed capital expenditure as at 31 December 2010 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, acquisitions of vessels and renovation of buildings.

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38. Commitments (Continued)

(b) Operating lease commitments

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

	Group	
	2010 RMB'000	2009 RMB'000
Not later than 1 year	16,596	26,309
Later than 1 year and not later than 5 years	11,748	36,437
	28,344	62,746

The Company has no operating lease commitment as at 31 December 2010 (2009: Nil).

39. Contingent liabilities

As at 31 December 2010, the Group and the Company have no significant contingent liabilities (2009: Nil).

40. 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 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, during the year ended 31 December 2010 and balances arising from these significant related party transactions.

40. Significant related party transactions (Continued)

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

	Note	2010 RMB'000	2009 RMB'000
Transactions with parent company			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	32,141	40,136
Transactions with fellow subsidiaries			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	4,834	4,695
Comprehensive service fee	(ii)	22,910	19,269
Labour service fee	(iii)	23,424	18,663
Others			
Purchases of property, plant and equipment	(iv)	13,156	6,564
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(v)	66,482	49,460

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

(ii) The comprehensive services provided to the Group were determined based on the terms stipulated in the comprehensive services agreement.

(iii) The related labour services were provided 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 as entered into among the parties involved.

(iv) The purchases of property, plant and equipment were for berth construction services, building construction services and other related port engineering services. The terms were mutually agreed by the parties involved.

(v) The loading and unloading services rendered to the related parties were carried out on terms that were mutually agreed among the contract parties.

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40. Significant related party transactions (Continued)

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

	Note	2010 RMB'000	2009 RMB'000
Balances with the parent company			
Other receivables and prepayments	(i)	415	364
Accounts payable	(i)	—	12,130
Other payables and accruals	(i)	6,161	2,919
Balances with fellow subsidiaries			
Accounts receivable	(i)	1,666	1,340
Other receivables and prepayments	(i)	6,008	1,284
Accounts payable	(i)	5,981	4,283
Other payables and accruals	(v)	20,035	7,955
Balances with associates			
Other receivables and prepayments	(ii)	6,013	—
Balances with non-controlling shareholders of subsidiaries			
Dividend payable	(i)	19,879	4,107
Balances with other related parties			
Accounts receivable	(iii)	13,538	16,561
Other payables and accruals	(iv)	41,371	31,449

(i) These balances with the parent company, fellow subsidiaries and non-controlling shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment or subject to agreed credit terms for trade receivables.

(ii) The receivables from associates bear interest rates ranging from 5.31% to 5.4% per annum, which will be matured in 2011 (Note 16(b)).

(iii) These balances arose from the ordinary course of the Group's business and are unsecured, interest free and are subject to agreed credit terms.

40. Significant related party transactions (Continued)

(b) (Continued)

(iv) The balance referred to port construction fee collected on behalf of Xiamen Municipal Port Authority and the balance is unsecured, interest free and has no fixed terms of repayment.

(v) Except for the payables of RMB2,000,000 and RMB3,000,000 bearing interest rates of 4.2% and 3.88% per annum respectively (Note 21(a)), the amounts due to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(c) Key management compensation:

	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,085	2,903
Contributions to pension plans	298	263
Discretionary bonuses	2,178	1,756
	5,561	4,922

41. Collateral securities for mitigating credit risks

As at 31 December 2010, certain accounts receivable, other receivable, and advances to suppliers (collectively the "Assets") in connection with the Group's trading business are exposed to recoverability risk. To mitigate the credit risk associated with the Assets, the Group has obtained certain property, plant and equipment and land use rights (collectively the "Collaterals") as the securities for the Assets. After assessing the estimated value of the Collaterals, the aggregate impairment provision on the Assets amounted to RMB20,123,000 as at 31 December 2010 (2009: RMB17,523,000).

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41. Collateral securities for mitigating credit risks (Continued)

As at the balance sheet date, the carrying amounts and the impairment provisions for the Assets are as follows:

	2010		2009	
	Carrying amounts RMB'000	Impairment provisions RMB'000	Carrying amounts RMB'000	Impairment provisions RMB'000
Accounts receivable (Note 15)	17,217	(8,600)	36,394	(6,000)
Other receivable (Note 16)	15,105	(8,043)	20,855	(8,043)
Advances to suppliers (Note 16)	10,837	(3,480)	24,870	(3,480)
	43,159	(20,123)	82,119	(17,523)

42. Particulars of subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2010, the Company had direct and indirect interests in the following subsidiaries:

		Issued share/ paid-in capital		Attributable equity interests				
				2010		2009		
Name	Type of legal entity	2010 (RMB'000)	2009 (RMB'000)	Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd.)	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

42. Particulars of subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2010 (RMB'000)	2009	Attributable equity interests 2010 Directly held	Indirectly held	2009 Directly held	Indirectly held	Principal activities
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	100,000	100,000	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	65,000	—	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
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

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42. Particulars of subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2010 (RMB'000)	Issued share/ paid-in capital 2009 (RMB'000)	Attributable equity interests 2010 Directly held	Attributable equity interests 2010 Indirectly held	Attributable equity interests 2009 Directly held	Attributable equity interests 2009 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Penavico Navigation Co., Ltd.#	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation 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 company	3,800	3,800	—	33.08 %	—	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
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	40,000	—	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
Xiamen Port Hailuda Building Material., Ltd.#	Limited liability company	7,000	7,000	—	44.10%	—	44.10%	Manufacturing, processing and selling of building materials
Xiamen Waili logistics management Co., Ltd.#	Limited liability company	300	300	—	47.41%	—	47.41%	Container deposit, land transport and logistics management

42. Particulars of subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2010 (RMB'000)	Issued share/ paid-in capital 2009 (RMB'000)	Attributable equity interests 2010 Directly held	Attributable equity interests 2010 Indirectly held	Attributable equity interests 2009 Directly held	Attributable equity interests 2009 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port Haicang Container Inspection Services Co., Ltd.*	Limited liability company	1,000	—	—	69.97%	—	—	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection

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.

* Established by Xiamen Haitian Container Terminal Co., Ltd. during the year ended 31 December 2010.

(b) Jointly controlled entities

As at 31 December 2010, the Group had interests in the following jointly controlled entities:

Name	Paid-in capital 2010 (RMB'000)	Paid-in capital 2009 (RMB'000)	Proportion of ownership held by the Group and profit sharing 2010	Proportion of ownership held by the Group and profit sharing 2009	Proportion of voting rights held by the Group 2010	Proportion of voting rights held by the Group 2009	Principal activities
Xiamen International Container Terminals Ltd.	1,148,700	1,148,700	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Gangtong Logistics Co., Ltd.	5,000	5,000	50%	50%	60%	60%	Container storage and land transportation
Xiamen Haicang International Container Terminals Ltd.	555,515	454,715	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Port YCH Logistics Co., Ltd.	97,650	97,650	60%	60%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Container Co., Ltd.	5,000	5,000	51%	51%	60%	60%	Container loading and unloading for international trade
Xiamen Port Baohe Logistics Co., Ltd.	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

42. Particulars of subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2010, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital 2010 (RMB'000)	2009	Attributable equity interests 2010	2009	Principal activities
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

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

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

Except for XPD which is a listed company in the PRC, all subsidiaries, jointly controlled entities and associates are private companies having 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 the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

Definitions

"Articles"	the Articles of Association of the Company
"Board"	the board of directors
"Code"	the Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd.
"Company Law"	the Company Law of the People's Republic of China
"Company Secretary"	the company secretary/the secretary to the Board
"Core Businesses"	container, bulk and general cargo loading and unloading businesses, 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
"Corporate Governance Code"	the Code on Corporate Governance Practices set out in the Listing Rules
"Director(s)"	the director(s) of the Company
"ECFA"	the Economic Cooperation Framework Agreement for both sides of Taiwan Straits
"Group"	Xiamen International Port Co., Ltd. and its subsidiaries
"Haitian Terminal"	the Haitian Container Terminal
"HPH"	Hutchison Ports Haicang Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules
"Park"	Xiamen Bonded Logistics Park

Definitions

"PRC" or "China"	The People's Republic of China
"Reporting Period"	the period from 1 January 2010 to 31 December 2010
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee
"TEUs"	Twenty-foot Equivalent Units
"US"	the United States
"Western Coast"	the Economic Zone on the Western Coast of the Taiwan Straits
"XHICT"	Xiamen Haicang International Container Terminal
"XHPC"	Xiamen Haicang Port Co., Ltd.
"Xiamen Penavico International Freight"	Xiamen Penavico International Freight and Forwarding Co., Ltd
"Xiamen Port Co. " or "Company"	Xiamen International Port Co., Ltd.
"Xiamen Port Holding"	Xiamen Port Holding Group Company Limited
"Xiamen Port Holding Group"	Xiamen Port Holding and its subsidiaries
"Xiamen Port Transportation"	Xiamen Port Transportation Co., Ltd
"XICT"	Xiamen International Container Terminal
"XPD"	Xiamen Port Development Co., Ltd.

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