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

The largest port terminal operator in Xiamen, the PRC

2011 ANNUAL REPORT

* For identification purpose only


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Contents

Xiamen International Port Co., Ltd.
Annual Report 2011

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 *(ACCA)*

Authorised Representatives
FANG Yao
HONG Lijuan

Registered Office
No. 127 Dongdu Road
Xiamen, Fujian Province, the PRC

Principal Place of Business in Hong Kong
8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central, Hong Kong

Auditors
International auditor:
PricewaterhouseCoopers
Certified Public Accountants

PRC auditor:
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 of Hong Kong Limited
3378

Listing Date
19 December 2005

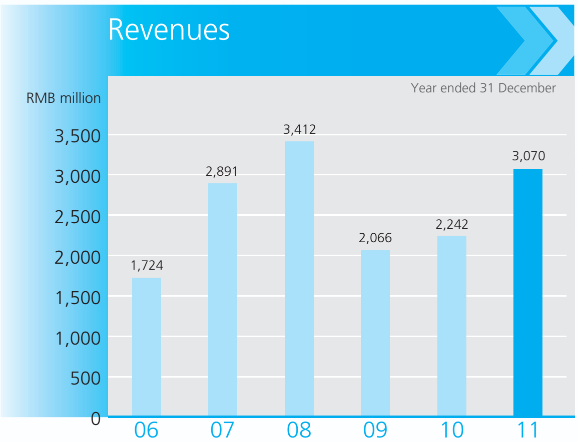
* Re-designated from Non-executive Directors to Executive Directors since 28 February 2011, of which Mr. LIN Kaibiao was appointed as the Chairman of the Company on the same day
** Re-designated from Executive Directors to Non-executive Directors since 28 February 2011
*** Appointed since 28 February 2011

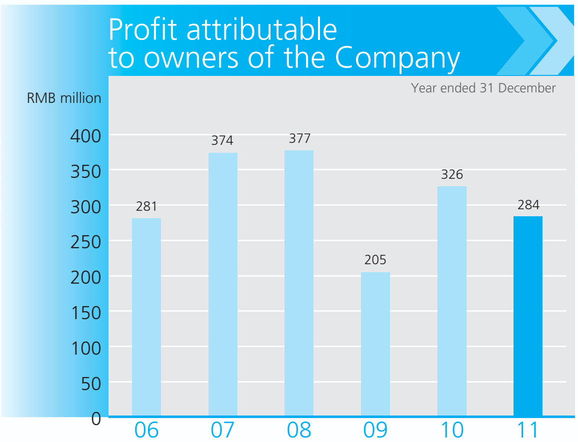
Corporate Profile

Xiamen International Port Co., Ltd. ("Xiamen Port Co." or the "Company") and its subsidiaries (collectively referred to as the "Group") is the largest port terminal operator in Xiamen, the People's Republic of China (the "PRC" or "China"). 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 merchandise in Xiamen. The Group currently operates four international container terminals, namely the Haitian Container Terminal ("Haitian Terminal"), Xiamen International Container Terminal ("XICT"), Hairun Terminal and Xiamen Haicang International Container Terminal ("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 aforesaid terminals comprised 16 berths, which 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 United States (the "US"), the Mediterranean, Australia, Southeast Asia and Japan. The container terminals are also connected to major domestic shipping routes. In addition, the Group has also leased Haicang berths No. 6 and No. 8 in the Haicang port area of Xiamen port for operation to meet the needs of business development.

Financial Highlights

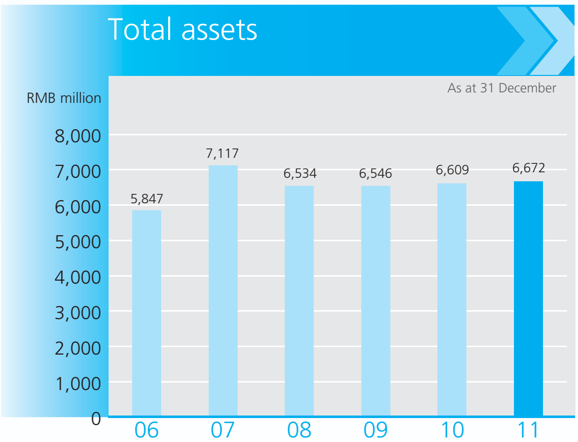
	Year ended 31 December					
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Revenues	1,724,361	2,890,969	3,411,524	2,065,904	2,241,717	**3,069,703**
Gross profit	606,945	640,570	611,518	437,840	565,001	**587,813**
Operating profit	493,014	548,218	506,146	322,821	459,728	**449,545**
Profit before income tax expense	504,588	563,207	502,067	310,771	458,649	**450,288**
Profit for the year	410,600	506,575	474,259	271,183	406,121	**388,001**
Profit attributable to owners of the Company	280,985	374,417	376,659	205,091	325,814	**284,337**
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	10.31	13.73	13.82	7.52	11.95	**10.43**

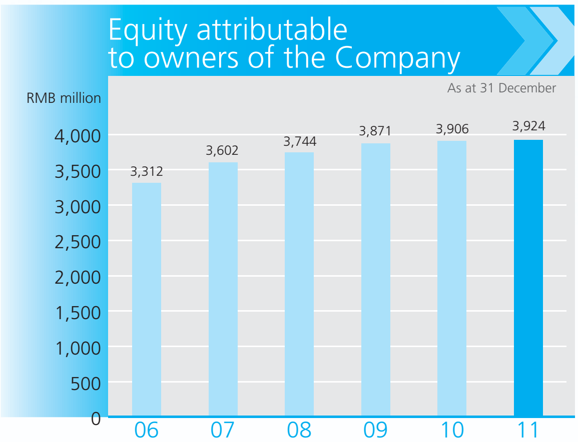




	As at 31 December					
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Total assets	5,847,266	7,116,875	6,534,122	6,546,137	6,609,407	**6,671,807**
Equity attributable to owners of the Company	3,311,644	3,602,147	3,743,916	3,871,063	3,906,187	**3,924,498**
Total liabilities	1,729,495	2,633,915	1,870,399	1,758,284	1,742,261	**1,719,161**
Cash and cash equivalents	594,687	1,001,285	844,665	806,557	1,154,304	**926,176**

	As at 31 December					
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Current ratio (times)	1.84	1.36	1.52	1.53	1.70	**1.68**
Gearing ratio (%)	0.06	0.13	(4.03)	(9.66)	(18.56)	**(10.90)**
Inventory turnover days	40	42	34	30	32	**31**
Accounts receivable turnover days	96	62	55	94	94	**72**





Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2011 to the shareholders.

In 2011, under the influence of the sovereign debt crisis, recovery of the economy of the developed countries in Europe and America was hindered, which slowed down the growth of global economy and international trade. In addition, the operating environment of port business was even more challenging due to a number of factors such as increasing domestic inflation, rising fuel cost and tightened monetary policies. Facing such a sophisticated market environment, the Group fully utilized the competitive edge in our business scale and integrated port logistics services, flexibly allocated various resources and focused on developing the core businesses. Meanwhile, the Group proactively facilitated resource integration, strengthened refined management, established stricter internal control and strived to promote the energy saving and reduction. With all these measures effectively implemented, the Group maintained a steady development of its port business in 2011.

For the year ended 31 December 2011, the revenue of Xiamen Port Co. was approximately RMB3,069,703,000, representing an increase of approximately 36.9% over the previous year; the profit after tax was approximately RMB388,001,000, representing a decrease of approximately 4.5% over the previous year; while the profit attributable to owners of the Company was approximately RMB284,337,000, representing a decrease of approximately 12.7% over the previous year. Earnings per share for 2011 was RMB10.43 cents.

The board of directors (the "Board") recommended the payment of a final dividend of RMB3 cents per share, amounting to a total dividend of RMB81,786,000.

In 2011, the Group has implemented various strategies and relevant measures in a timely manner and continued to expand our principle port business in response to the changes in the global economic conditions. Firstly, the Group adhered to business expansion and devoted to the development of our principle port business. While developing our bulk/general cargos business, the Group also focused on the development of container business with the main measures including: active promotion of marketing aimed at the headquarters of our customers and establishment of strategic alliances in our major customer markets, development of international container ocean shipping trunk lines, international transshipment business, domestic sub-routes and shipping route business to Taiwan, and lightering operations within ports, expansion of the foreign trade container businesses; active promotion of inter-port cooperation and the cooperation between port and shipping routes business and the strict implementation of relevant business cooperation strategic framework agreements and expansion of domestic trade container business (where we achieved a container throughput of approximately 909,000 Twenty-foot Equivalent Units ("TEUs") during the year); active exploration of new business growth momentum in the market of cargo owners for domestic and foreign trade. The Company's Haitian Terminal has also established a close business relationship with cargo owners including Heng'an Group, Xiashun Aluminium Foil and importers of refrigerators and renewable resources, intending to develop quality and special businesses for goods such as refrigerators and overweight & oversize cargos in order to increase the proportion of our business for loaded containers and the Company's income from the cargo owners. Secondly, the Group has adopted the strategy of hinterlands by continuing the external expansion plan, developing the sources of cargos in hinterlands and solidifying our leading position in the industry as well as the logistics of goods. On one hand, the Group adhered to the overall marketing strategy. By taking advantages of its comprehensive and integrated logistics service chain of the ports and its strong capability in offering overall ancillary services, the Group was able to provide a complete set of solution for port logistics for customers with sources of large-volume goods and leading those clients to choose the port terminals and logistics enterprises under the Group. On the other hand, the Group emphasized the interactive development between sea-rail joint transportation business and inland ports. In 2011, the Group handled a total throughput volume of 31,700 TEUs for sea-rail joint transportation, representing a growth of 26.6% over the corresponding period in last year; the Group has successively established inland port companies in Sanming City of Fujian Province and Ji'an City of Jiangxi Province, enabling sea-rail joint transportation to integrate the coordinative development between Xiamen Port and hinterlands with sources of inland goods. Thirdly, the Group has devoted to improve its service quality. It intends to achieve higher efficiency in port operations by continuously optimizing production organization, increasing the application of the technological and information systems in the organization and management of production. For example, Haitian Terminal has developed and applied the terminal trailer management system; it has also upgraded and modified functions of platforms for systems such as NAVIS-SPARCS; and the XICT has installed and applied the automatic plug-and-play system of the electrical gantry cranes. During the period under review, the Group achieved a steady growth in container throughput and bulk/general cargos handling with approximately 4,155,000 TEUs and approximately 6,850,000 tonnes respectively (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), among which the container throughput accounted for approximately 64.3% and 42.8% of the total container throughput of Xiamen City and Fujian Province respectively, which are still maintaining its leading market position in the port industry in Xiamen City and Fujian Province.

While developing the core businesses, the Group also continuously promoted corporate refined management and resources integration so as to enhance our corporate governance level. During the year, the Company has completed the session changes of the Board, the Supervisory Committee and the three special committees under the Board pursuant to the applicable procedures, and has established the Nomination Committee with a purpose of enhancing the standardized operation as a listed company. The Company is also dedicated to strengthening the budget management and audit supervision. On one hand, the Company implemented more stringent control on annual budget to ensure that the major budget target would be achieved; on the other hand, the Company has strictly complied with the annual audit plan passed by the Audit Committee and commenced individual examination on the fixed assets, the audit work on the management of obsolete materials and on various items such as fund transfer, labor cost effectiveness and construction management procedures for the Group to continuously improve the relevant internal control system and approval procedures. For equipment management, the Group put much emphasis on promoting "Electrification" projects and the energy-saving technological modification projects for its terminals, such as relevant energy-saving modification for corporate lighting system to save energy and reduce consumption in terminals through technological modification; according to the production needs of the terminals, Dongdu Terminal and other relevant companies have replaced or acquired various equipments such as gantry cranes, reach stackers, forklifts and trailers in order to ensure a normal operation of terminals. The step-up work in Dongdu 35KV Port Transformer Station is currently in progress for implementing civil work. During the period under review, the Group has closely monitored the sustainable development of our principal business. Having considered the sound conditions of deep water coastline in Songyu Terminal and Haicang Port being the key development port in port planning of Xiamen City, the Board, according to its developmental strategy, has resolved in December 2011 to acquire 25% of equity interest of Xiamen Songyu Container Terminal Co., Ltd from APM Terminals Xiamen Company Limited, and the relevant equity transfer agreements and the transactions contemplated thereunder have been approved at the general meeting the Company held on 15 February 2012. This acquisition will facilitate the Group to further solidify its leading position in port container handling business in Xiamen.

In 2012, under the impact of the Euro-zone sovereign debt crisis, it is anticipated that the general global economic situation will continue to remain complicated with lots of uncertainties, so it is expected that the global economic growth will experience a further slow down. For the situation in China, according to the forecast of the Chinese Government and its relevant authorities, the estimated national economic growth of China in 2012 will be approximately 7.5%, representing a weakening but relatively high growth rate. Meanwhile, with the implementation of the Economic Zone Development Plan of the Western Coast of Taiwan Straits (海峽西岸經濟區發展規劃) and the Overall Trial Proposal of Integrated Ancillary Reform of Deepening the Cross-strait Exchange and Cooperation in Xiamen City (廈門市深化兩岸交流合作綜合配套改革試驗總體方案) approved by the Chinese Government in 2011, the further implementation of the Economic Cooperation Framework Agreement for both sides of Taiwan Straits (ECFA) and the construction of South-east International Shipping Centre (東南國際航運中心) continuously carried out by the Xiamen municipal government, it is expected that Xiamen will adopt a set of more innovative and open policies in respect of industry cooperation across the Taiwan Straits ("Straits") and trading with Taiwan. Besides, its leadership role will further strengthened in the reformation and development of the Economic Zone on the Western Coast of Taiwan Straits ("Western Coast"), enabling the continuous growth of Xiamen City and the rest of the entire Western Coast economy, so as to lay a solid foundation for the development of Xiamen port and the business of the Group. On the other hand, due to the gradual operation commencement of berths No. 15 to No. 19 in

Haicang port area in Xiamen port in the second half year of 2011, it is expected that the competition between each port of Xiamen port will become fiercer, which might affect the relevant business of the Group to a certain extent. As a result, the Group may encounter challenges in 2012 apart from numerous opportunities.

For the year of 2012 for maximizing the overall interests of shareholders, the Group will continue to unswervingly implement the key principles in corporate governance. Pursuant to the relevant amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and Code on Corporate Governance Practices ("Corporate Governance Code") which will come into effect during the course of 2012, the Group will timely refine the Company's corporate governance structure and the internal control system, promote the regulated operation of the Company; continue to advance the corporate refined management, comprehensively consolidate the management base, boost the construction of financial information system, improve the budget management level, focus on the management of cost control and receivable accounts, spare no efforts to minimize the cost through management and technology, and continue to enhance the efficiency in cost input. Meanwhile, we will strictly emphasize the core port business by maintaining the expansion in operation volume and overall sales and marketing, active strategies implementation in response to market competition, focusing on the development of core port businesses, as well as seeking new business growth opportunities to expand our income sources; the Group will also speed up the port resources integration, properly allocate port resources, optimize and adjust the functions of operating port areas, optimize the allocation of internal operation resources, insist on the external expansion plan, foster the port handling and logistics business in the northern area of Fujian Province, actively develop hinterlands of cargo sources, and perfect the construction of land-based ports and the development of branch ports, providing an adequate cargo volumes for the continuous and stable growth of port business increase of the group, so as to bring stable returns to shareholders.

Last but not least, I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to all the shareholders' unrelenting trust and support on us and my deepest thanks to the contributions of all employees in the previous year for the business development of the Group. Looking ahead, I am confident that, under the united endeavors of employees and continuous supports from all shareholders, the Group will be able to maintain a steady growth and advance to another new stage.

Lin Kaibiao
Chairman

Xiamen, the PRC
27 March 2012

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's foreign trade and port container business maintained a growth

In 2011, although the trend of China's overall macroeconomy was relatively complicated, it continued to maintain a stable growing development trend. In addition, China's foreign trade also achieved a sustained growth with a new record high in its total amount of import and export. According to the relevant information released by the National Bureau of Statistics of the PRC, the Gross National Product in the PRC in 2011 was approximately RMB47,156.4 billion, representing an increase of approximately 9.2% over the year 2010; the total import and export volume of goods for the PRC was approximately USD3,642.1 billion, representing an increase of approximately 22.5%. Out of this amount, exports of goods for the whole year increased by about 20.3% to approximately USD1,898.6 billion; imports of goods for the whole year increased by about 24.9% to approximately USD1,743.5 billion. Under the policy of "Expanding Import", in 2011, growth rate of China's foreign trade import was 4.6% higher than that of export for the same year, while the trade surplus was approximately USD155.1 billion, representing a net decrease of about USD26.4 billion or a narrowing of 14.5% as compared with the previous year. Benefiting from the sustained development of China's economy, the port production business in China also recorded a steady growth. In 2011, China's port cargo throughput was approximately 9.07 billion tonnes, representing a year-on-year increase of approximately 11.9%, while port container throughput was approximately 162 million TEUs, representing a year-on-year growth of approximately 11.4%.

Foreign trade of Fujian and ports in Xiamen

Benefiting from the sustaining rapid growth of China's macroeconomy and the improving pattern and structure of foreign trade, Fujian Province's economy has also demonstrated a steady and relatively rapid growth. In addition, on 8 March 2011, the implementation of the *Economic Zone Development Plan of the Western Coast of Taiwan Straits (海峽西岸經濟區發展規劃)* was officially approved by the State Council of the PRC, together with the further implementation of the ECFA during the reporting year, effectively promoting the deep cooperation and extensive development in economy and trade on both sides of the Straits, especially between Fujian Province and Taiwan. Based on the data provided by the Fujian provincial government, the gross domestic product of Fujian Province in 2011 amounted to approximately RMB1,741.0 billion, representing a year-on-year growth of approximately 12.2%, while the total value of exports and imports of foreign trade was approximately USD143.6 billion, representing another year-on-year growth of approximately 32.0%. Port cargo throughput amounted to about 377 million tonnes, representing an increase of approximately 14.0% over the previous year, while container throughput was approximately 9.70 million TEUs, representing an increase of approximately 11.9% over the previous year.

In 2011, the construction of the South-east International Shipping Centre (東南國際航運中心) in Xiamen was proposed by the Fujian Province. By the end of the year 2011, the State Council of the PRC approved the implementation of *the Overall Trial Proposal of Integrated Ancillary Reform of Deepening the Cross-strait Exchange and Cooperation in Xiamen City (廈門市深化兩岸交流合作綜合配套改革試驗總體方案)*, which clearly indicated its support to Xiamen in speeding up the construction of the South-east International Shipping Centre, and stated that it is proactively studying to assign Xiamen port as the trial port under the tax rebate policy for shipping ports. By integrating the actual conditions and characteristics of Xiamen, the proposal also actively studied on the exemption of business tax for the storage and logistics enterprises registered within the bonded zone of Xiamen port for their businesses engaged in cargo transportation, storage, loading and uploading and goods carrying; and it also specifically stated the support on the system and mechanism regarding Xiamen's innovative industrial and trade cooperation across the Straits, and to implement a more open trade policy on Taiwan and expand the scope of trade with Taiwan. Moreover, Xiamen will be preferential to put into practice for all policies on Taiwan proposed by the State. The gradual introduction and implementation of such proposals and policies further enhanced the international competitiveness of Xiamen port and provide policies protection for the sustainable and stable development of Xiamen port. In 2011, driven by the constant growth of economy in the western coast and the hinterland of Xiamen port, the total container throughput of Xiamen port was approximately 6.465 million TEUs, representing an increase of approximately 11% over the year 2010, which has remained in the 7th place in terms of container throughput of the ports in Mainland China, accounting for approximately 66.6% of the total container throughput in Fujian Province.

BUSINESS REVIEW

For the year ended 31 December 2011, 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 business of building materials as well as the trading business of merchandise (such as steel and chemical raw materials).

Scale of operations

For the year ended 31 December 2011, the Group operated five terminals with a total of 16 berths for international and domestic containers and bulk/general cargo, with a total length of approximately 3,761 metres and a depth alongside ranging from 9.9 metres to 17.5 metres, which is able to accommodate vessels of up to 100,000 dwt and has a maximum carrying capacity of 18,000 TEUs. The Group also had a large area for warehousing facilities (depot/warehouse) and relevant auxiliary facilities both inside and outside the terminal areas.

Among others, the Group operated four international container terminals, namely, the Haitian Terminal with seven berths (Dongdu berths No. 5 to No. 11) situated in the Dongdu port area, XHICT (Haicang berth No. 1) and XICT with two berths (Haicang berths No. 2 and No. 3, and Haicang berths No. 1 to No. 3 under the operation in unification) situated in the Haicang port area as well as the Hairun Terminal with two berths (Haicang berths No. 4 and No. 5) also situated in the Haicang port area.

In addition, the Group also operated the Dongdu Terminal with four berths (Dongdu berths No. 1 to No. 4) situated 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.

Apart from the above-mentioned 16 berths owned by the Group, the Group also leased berth No. 6 of Haicang port area from Xiamen Port Holding (港務控股) and berth No. 8 of Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司) respectively for operation during the reporting year.

Container port business

During the reporting year, a container throughput of 4,154,528 TEUs was achieved by the Group with details as follows:

	Container throughput		
	2011 (TEUs)	2010 (TEUs)	Increase
The Haitian Terminal and Hairun Terminal (international trade)#	**2,104,633**	2,016,811	4.35%
XICT and XHICT (international trade)*	**1,140,803**	1,140,398	0.04%
Berth No. 1 of Dongdu Terminal (domestic trade)	**909,092**	631,074	44.05%
Total throughput	**4,154,528**	3,788,283	9.67%

During the reporting year, 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 figures of berth No. 6 in Haicang port area of Xiamen port, which are consolidated in the calculation.

* XICT is a jointly controlled entity between Xiamen Haicang Port Company Limited ("XHPC"), one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through XHPC, the Company holds 51% interests 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 operation information 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 figures of XHICT correspondingly, which are consolidated in the calculation.

During the reporting period, under the advantages brought by the continuous growth of China's macroeconomy and trade, the container throughput of the Group increased by 9.67% over the last year, of which the container throughput of the domestic trade strongly increased by about 44%, as compared with the previous year, to approximately 0.909 million TEUs, accounting for approximately 21.9% of the total container throughput of the Group, thus making a major contribution to the growth of the Group's container throughput. On the other hand, since container berths No. 15 to No. 19 of Haicang port area in Xiamen port which were dominantly run by relevant shipping operators have been put into operation successively during the second half of 2011, certain self-operated lines of such shipping operators have been gradually migrated from relevant terminals under the Group, while certain shipping operators have ceased part of the ocean routes due to the economy slumps in the United States and other reasons, resulting in a worse-than-expected growth of XICT, though maintaining a constant business volume compared with the previous year.

In response to the above-mentioned conditions of XICT, the Group has adopted appropriate measures: firstly, to strengthen the connections and communications with other shipping operators, and to enter into cross-year service agreements with part of the shipping operators to proactively retain customers through excellent services and marketing support; secondly, to promote the equipments update and upgrade, such as acquisitions of equipments like electric gantry cranes by XICT for enhancing the efficiency of the terminal operation, and to promote the dredging and deepening activities to enhance the berthing capacity of relevant berths in order to equip for the trend of larger-scale carriers domination and to attract new routes.

Bulk/general cargo port business

In 2011, the bulk/general cargo throughput handled by the Group in the whole year amounted to 6,849,790 tonnes with details as follows:

	Bulk/general cargo throughput		
	2011 (Tonnes)	2010 (Tonnes)	Increase/ (decrease)
Berths No. 2 to No. 4 of Dongdu Terminal*	**6,600,103**	5,685,867	16.08%
XICT and XHICT	**249,687**	550,097	(54.61%)
Total throughput	**6,849,790**	6,235,964	9.84%

* Dongdu Terminal has leased part of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port for 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 the calculation.

During the reporting period, the Group's bulk/general cargo port businesses maintained a solid growth, representing an increase of 9.84% as compared with the previous year, of which the throughput of Dongdu Terminal increased by 16.08%. The reason for such increase was the growth in import business of stone blocks and cement, and the significant increase in general cargo business of berth No. 8 in Haicang port area leased by the Dongdu Terminal for operation. The throughput handled by XICT during the year decreased by 54.61% as compared with the previous year as it is situated within Haicang Bonded Port Area where the operations of domestic trade cargo business were temporarily not permitted by the customs and therefore its terminal general cargo business was hindered and dropped substantially as a result.

Given the situations of XICT as aforesaid, the Group further strengthened its communications with the customs in regard of the application for the permit for operations of domestic trade cargo business in XICT. At the same time, the Group actively made use of the geographical advantage of the berth No. 8 in Haicang port area and made efforts to enhance its business volume in order to efficiently outweigh the losses in cargo volume of other terminals.

Ancillary value-added port services

The ancillary value-added port services of the Group mainly consist of shipping agency, tallying, tugboat berthing and unberthing businesses and port-related logistics services. During the reporting period, driven by the continued growth of the business volume of the ports in Xiamen and the implementation of the Group's overall marketing strategies, the Group's ancillary value-added port services overall achieved a positive growth. During the reporting year, the Group actively developed the sea-rail joint transportation business by making the full use of the seamless linkage between railways, ports and sea transportation, speeding up the construction of the "land-based port" network points in hinterland of the sources of goods such as Sanming City of Fujian Province and Ji'an City of Jiangxi Province. Meanwhile, the Group also re-launched the "Northeast-Xiamen-Jiangxi" route and newly launched the "Taiwan-Xiamen-Suzhou/Mianyang" route, successfully realizing the sea-rail joint transportation across the Straits. The Group's modern logistics businesses such as cargo consolidation and bonded logistics businesses maintained a stable growth during the year. The on-site assembly, warehouse tenancy and the "One-day Customs Clearance" businesses in the Xiamen Bonded Logistics Park ("the Park") gained a year-on-year growth by 11.2%, 7.1% and 24.8% respectively. During the year, the Group has built two new bonded warehouses No. 6 and No. 7 in the Park. Currently, the four existing bonded warehouses in the Park have almost reached their business saturation. The Group is now building the bonded warehouse No. 2 without delay and continually planning the construction of the bonded warehouse No. 4 to meet the needs of business growth.

Trading business of merchandise

During 2011, adhering to the operation philosophy of port and trade integration, the Group prudently conducted trading business of merchandise. During the year, trading business of merchandise mainly comprised of domestic trading business operations for large scale merchandise based on the strict risks control. Through strengthening the control on risks relating to accounts receivables as well as the close relationships between the relevant terminals under the Group and the port logistics enterprises, we have maintained a more sound and standardized operation of trading business of merchandise during the year. It encouraged the stable growth of the port throughput of the Group to a certain extent.

FINANCIAL REVIEW

Revenues

Revenues from the Group increased by approximately 36.9% from approximately RMB2,241,717,000 for the year ended 31 December 2010 to approximately RMB3,069,703,000 for the year ended 31 December 2011. The increase was due to the revenue increases in the Group's trading business of merchandise, manufacturing and selling business of building materials, ancillary value-added port services, bulk/general cargo loading and unloading business and container loading and unloading and storage business.

Revenue by business sector

	For the year ended 31 December		
Business	2011 (RMB'000)	2010 (RMB'000)	Increase
Container loading and unloading and storage business	**801,004**	768,518	4.2%
Bulk/general cargo loading and unloading business	**201,618**	168,707	19.5%
Ancillary value-added port services	**667,483**	576,751	15.7%
Manufacturing and selling of building materials	**358,167**	227,560	57.4%
Trading business of merchandise	**1,041,431**	500,181	108.2%
Total	**3,069,703**	2,241,717	36.9%

The reasons for the increase in revenue of each business sector for the year ended 31 December 2011 compared with the year ended 31 December 2010 are as follows:

1. The container throughput of the Group for the year ended 31 December 2011 was approximately 3,595,535 TEUs (counting as 51% of XICT's throughput under proportional consolidation method), representing an increase of approximately 11.3% compared with 2010. Being offset by price deduction due to intense competition in Xiamen port, the revenue of container loading and unloading and storage business increased by approximately 4.2%.

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

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

4. Due to an increase in market demand, the sales volume of concrete increased, which led to an increase in the revenue generated from manufacturing and selling of building materials of the Group.

5. The Group expanded the scope of trading business, which resulted in a significant increase in the revenue of the trading business of merchandise.

Cost of sales

Cost of sales increased by approximately 48.0% from approximately RMB1,676,716,000 for the year ended 31 December 2010 to approximately RMB2,481,890,000 for the year ended 31 December 2011. The increase was primarily due to the increases in cost of trading merchandise, cost of inventories consumed, employee benefits expense, fuel and electricity expense, transportation and labor outsourcing cost, business tax and related taxes as well as depreciation of property, plant and equipment.

— Cost of trading merchandise increased by approximately 114.7% from approximately RMB473,150,000 for the year ended 31 December 2010 to approximately RMB1,015,750,000 for the year ended 31 December 2011. The increase was mainly due to the expansion of the scope of the Group's trading business and the increase in the volume of merchandise trading business.

— Cost of inventories consumed increased by approximately 51.0% from approximately RMB207,921,000 for the year ended 31 December 2010 to approximately RMB313,900,000 for the year ended 31 December 2011. The increase was mainly due to the increase in the Group's concrete sales volume of manufacturing and selling business of building materials.

— Employee benefits expense increased by approximately 15.2% from approximately RMB369,660,000 for the year ended 31 December 2010 to approximately RMB425,764,000 for the year ended 31 December 2011. The increase was mainly due to the increases in volume of port loading and unloading and ancillary value-added port business of the Group, which resulted in an increase in the benefit expenses for business-volume-based employees and the proper improvement of the expenditure level of employee benefits by the Group.

— Fuel and electricity expense increased by approximately 25.7% from approximately RMB124,125,000 for the year ended 31 December 2010 to approximately RMB156,066,000 for the year ended 31 December 2011. The increase was primarily due to the increases in volume of the Group's port loading and unloading and ancillary value-added port business, as well as the increase in fuel price.

— Cost of transportation and labor outsourcing increased by approximately 18.4% from approximately RMB114,279,000 for the year ended 31 December 2010 to approximately RMB135,343,000 for the year ended 31 December 2011. The increase was primarily due to the increase in the Group's container and bulk/general cargo throughput.

— Business tax and related taxes expense increased by approximately 17.6% from approximately RMB67,558,000 for the year ended 31 December 2010 to approximately RMB79,455,000 for the year ended 31 December 2011. The increase was primarily due to the increase in the revenue generated from the Group's port loading and unloading and ancillary value-added port business.

— Depreciation of property, plant and equipment increased by approximately 6.2% from approximately RMB177,374,000 for the year ended 31 December 2010 to approximately RMB188,288,000 for the year ended 31 December 2011. The increase was mainly due to the Group's substantial amount of addition and transfer of property, plant and equipment this year.

Gross profit

In light of the foregoing reasons, the Group's gross profit increased by approximately 4.0% from approximately RMB565,001,000 for the year ended 31 December 2010 to approximately RMB587,813,000 for the year ended 31 December 2011. Gross profit margin of the Group decreased from approximately 25.2% for the year ended 31 December 2010 to approximately 19.1% for the year ended 31 December 2011. The decrease in gross profit margin was due to the significant increase in revenues of the Group's manufacturing and selling business of building materials and trading business of merchandise which have a lower profit margin. Their proportion of the total revenue increased from approximately 32.5% for the year ended 31 December 2010 to approximately 45.6% for the year ended 31 December 2011.

Other gains

Other gains of the Group decreased by approximately 93.2% from approximately RMB44,718,000 for the year ended 31 December 2010 to approximately RMB3,039,000 for the year ended 31 December 2011. The decrease 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 9.9% from approximately RMB186,542,000 for the year ended 31 December 2010 to approximately RMB205,021,000 for the year ended 31 December 2011. The increase was primarily due to the increase in the Group's employee benefit expenses for the year ended 31 December 2011.

Operating profit

The Group's operating profit decreased by approximately 2.2% from approximately RMB459,728,000 for the year ended 31 December 2010 to approximately RMB449,545,000 for the year ended 31 December 2011. The Group's operating profit margin was approximately 20.5% for the year ended 31 December 2010 and approximately 14.6% for the year ended 31 December 2011 respectively, which was mainly due to the decreases in gross profit margin and other gains and the increase in operating expenses as explained above.

Income tax expense

The Group's income tax expense increased by approximately 18.6% from approximately RMB52,528,000 for the year ended 31 December 2010 to approximately RMB62,287,000 for the year ended 31 December 2011. The increase was mainly due to the increase in the Group's income tax rate. The Group's applicable income tax rate (except for the Company, China Ocean Shipping Agency Xiamen Co., Ltd. and XHICT) increased from 22% for the year ended 31 December 2010 to 24% for the year ended 31 December 2011.

Profit for the year

The Group's profit for the year decreased by approximately 4.5% from approximately RMB406,121,000 for the year ended 31 December 2010 to approximately RMB388,001,000 for the year ended 31 December 2011. The Group's profit margin was approximately 18.1% for the year ended 31 December 2010 and approximately 12.6% for the year ended 31 December 2011. The decrease in profit margin for the year was mainly due to the decrease in operating profit as explained above.

Total comprehensive income for the year

Total comprehensive income for the year increased by approximately 1.8% from approximately RMB360,789,000 for the year ended 31 December 2010 to approximately RMB367,333,000 for the year ended 31 December 2011. Due to the fluctuation of market value of available-for-sale financial assets held, other comprehensive loss after tax generated from the change of fair value of available-for-sale financial assets of the Group decreased by approximately RMB24,664,000 for the year ended 31 December 2011 compared with the year ended 31 December 2010.

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 29.1% from approximately RMB80,307,000 for the year ended 31 December 2010 to approximately RMB103,664,000 for the year ended 31 December 2011, 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 Company

Total comprehensive income for the year attributable to owners of the Company decreased by approximately 6.0% from approximately RMB280,482,000 for the year ended 31 December 2010 to approximately RMB263,669,000 for the year ended 31 December 2011. The decrease was mainly due to the decrease in profit for the year.

Accounts and notes receivable

The Group's net accounts and notes receivable increased from approximately RMB581,679,000 as at 31 December 2010 to approximately RMB647,966,000 as at 31 December 2011. The increase was primarily due to the increase of the Group's business.

As at 31 December 2011, the Group's gross accounts and notes receivable were approximately RMB672,244,000, of which approximately RMB579,971,000 accounts and notes receivable were aged within six months, accounting for approximately 86.3% of the total accounts and notes receivable, approximately RMB42,829,000 were aged between six months to one year, approximately RMB28,007,000 were aged between one year to two years, approximately RMB2,915,000 were aged between two years to three years and approximately RMB18,522,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable decreased by approximately 5.1% from approximately RMB680,365,000 as at 31 December 2010 to approximately RMB645,989,000 as at 31 December 2011. This was primarily due to the decrease of notes payable. Notes payable of the Group decreased by approximately 21.0% from approximately RMB214,161,000 as at 31 December 2010 to approximately RMB169,209,000 as at 31 December 2011.

As at 31 December 2011, the Group's accounts and notes payable within one year were approximately RMB643,653,000, accounting for approximately 99.6% of the total accounts and notes payable and due over one year were approximately RMB2,336,000, accounting for approximately 0.4% of total balance.

Borrowings

The Group's borrowings increased from approximately RMB392,228,000 as at 31 December 2010 to approximately RMB439,558,000 as at 31 December 2011, which was primarily due to the increase in bank loans to finance the construction of logistics warehouses.

As at 31 December 2011, borrowings due within one year were approximately RMB148,292,000, due within one to two years were approximately RMB14,988,000, due within two to five years were approximately RMB58,695,000 and due over five years were approximately RMB217,583,000.

As at 31 December 2011, the Group's guaranteed loan was approximately RMB64,831,000, which was guaranteed by a state-owned bank. The Group's secured loans were approximately RMB58,833,000, of which approximately RMB24,031,000 were secured by letters of credit and approximately RMB34,802,000 was secured by land use right.

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 2011 and 2010 respectively:

	2011 RMB'000	2010 RMB'000
Net cash generated from operating activities	**287,948**	644,079
Net cash used in investing activities	**(268,400)**	(64,224)
Net cash used in financing activities	**(244,088)**	(228,995)
Net (decrease)/increase in cash and cash equivalents	**(224,540)**	350,860
Cash and cash equivalents at beginning of year	**1,154,304**	806,557
Exchange losses on cash and cash equivalents	**(3,588)**	(3,113)
Cash and cash equivalents at end of year	**926,176**	1,154,304

Operating activities

The Group's net cash generated from operating activities decreased by approximately 55.3% from approximately RMB644,079,000 in 2010 to approximately RMB287,948,000 in 2011. The main reasons for such decrease included the decrease in net cash generated from operations of approximately RMB343,346,000 in 2011, the increase in interest paid of approximately RMB7,851,000 and the increase in income tax expense paid of approximately RMB4,934,000.

Investing activities

The Group's net cash used in investing activities increased from approximately RMB64,224,000 in 2010 to approximately RMB268,400,000 in 2011. The cash outflow in investment activities in 2011 was mainly due to approximately RMB311,099,000 paid for the purchase of properties, plants and equipments (including tugboats), intangible assets and land use rights.

Financing activities

The Group's net cash used in financing activities increased from approximately RMB228,995,000 in 2010 to approximately RMB244,088,000 in 2011. The net cash used in financing activities in 2011 was primarily due to the borrowings repayment of approximately RMB163,042,000 and dividends paid in the year of approximately RMB296,729,000, partially offset by the cash proceeds of approximately RMB213,683,000 from the newly borrowed loans, and the cash injection of RMB2,000,000 by the non-controlling shareholder of a subsidiary of the Company.

Capital expenditure

The Group's capital expenditures in 2011 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 2011 and 2010:

	2011 RMB'000	2010 RMB'000
Total capital expenditure	363,904	155,916

Capital expenditure commitments

As at 31 December 2011, the Group's capital expenditure commitments were approximately RMB142,161,000, 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, vessels and other machineries.

Exchange Rate and Interest Rate Risk

The Group's bank borrowings are denominated in both RMB and US dollars. To the extent that RMB appreciates (or depreciates) against US dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material effect on the business operations of the Group. The Group believes that the appreciation of RMB had no material effect on the operating results and financial position of the Group as at 31 December 2011.

Except for interest rate swap contracts signed under certain restrictions with the state-approved banks, the Group has not used any other means to hedge its foreign currency exposure. Nevertheless, the foreign currency exposure is still monitored by the Board, who will consider hedging any significant foreign currency exposure as required.

Gearing ratio

As at 31 December 2011 and 2010, the Group is in net cash position. The Group's gearing ratio changed from approximately -18.56% in 2010 to approximately -10.90% in 2011, which was primarily due to the decrease of cash and cash equivalents resulted from the purchase of properties, plants and equipments and the payment of dividends.

Contingent liabilities

As at 31 December 2011, the Group had no significant contingent liabilities.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2011, the Group had a total of 5,638 employees, representing an increase of 181 employees as compared to 31 December 2010. During the year, total staff costs accounted for approximately 17.6% of the Group's revenue. During the reporting year, the Group further improved the enterprises mechanisms such as role setting and employment management, and actively promoted the corporate remuneration management. Employees' remunerations of the Group included basic salary, other allowances and performance-based bonus, which are determined by their job nature, individual performance, experience and the prevailing practices of the industry. Employees may be offered 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 1 June 2011, Xiamen Port Development Co., Ltd. ("XPD") established a Zhangzhou branch office in Gulei port area of Xiamen port, situated in Zhangzhou City of Fujian Province, to engage in the terminal construction and operation in the Gulei port area for the expansion in the Group's business development. On 27 January 2011, XPD invested in and established Sanming Lugang Logistics Limited Company (三明陸港物流有限公司) in Sanming City of Fujian Province, the PRC. On 10 June 2011, XPD invested in and established Ji'an Lugang Logistics Limited Company (吉安陸港物流有限公司) in Ji'an City of Jiangxi Province, the PRC. Please refer to the section headed "Management Discussion and Analysis" in the 2011 Interim Report of the Company for details.

On 6 September 2011, Xiamen Port Shipping Co., Ltd., an indirect subsidiary of the Company, established a Quanzhou branch office in Quanzhou port of Fujian Province, the PRC. The formalities for relevant operation permit and industrial and commercial registration have been completed. This will help the Group in the business expansion of tugging market in and on the periphery of Quanzhou port for increasing the revenue of the ancillary value-added port services.

SUBSEQUENT EVENTS

On 9 February 2012, a resolution was passed at the 8th meeting of the third session of the Board of the Company, pursuant to which a wholly-owned subsidiary of the Company is intended to be set up in Fuzhou City of Fujian Province as a vehicle for the Company to invest in, lease and operate terminals, as well as to expand the source of goods in northern Fujian Province, and to operate and manage relevant port integrated logistics services, in order to facilitate the business development of inland routes. The registered capital of the subsidiary will be no more than RMB15.0 million (inclusive) and the relevant industrial and commercial registration procedures will be completed by the management of the Company when the opportunity arises in view of the actual situation.

On 15 February 2012, a resolution was passed at the 1st EGM in 2012 of the Company to approve the Equity Transfer Agreement (the "Agreement") entered into on 5 December 2011 between the Company and APM Terminals Xiamen Company Limited ("APMT") in relation to Xiamen Songyu Container Terminal Co., Ltd. ("Xiamen Songyu") and the discloseable and connected transaction contemplated thereunder. Pursuant to the Agreement, the Company shall acquire 25% equity interest in Xiamen Songyu from APMT at a consideration of RMB530,000,800 in order to enable the Company to participate in the joint operation and management of Xiamen Songyu (the "Acquisition"). The Company is currently carrying out certain requisite procedures to complete the Acquisition.

PROSPECTS

The year of 2012 plays an important role and acts as an interface for the "Twelfth Five-year Plan" of China. Looking forward to 2012, the foreign trade of China will be confronted with various disadvantages, such as inadequate foreign demand and the escalating trade protectionism. Given the rise of uncertainties in the market and the severe economic situation, it is expected that the growth of the foreign trade export of 2012 in China will be difficult to reach the level as in 2011. In response to the complicated local and overseas economic environment, the Chinese government will continue to implement active fiscal policies and stable monetary policies, and will also enhance the relevance, flexibility and predictability of macroeconomic control measures, while expanding domestic demand and support the economic development of entities such as the SMEs. These measures will be beneficial to the further development of the domestic trade business of China. In such regards, the Chinese government anticipated that the growth rate of its national economy will be approximately 7.5% in 2012, and the Fujian provincial government and Xiamen municipal government forecast that their local national economy will grow by approximately 11% and 12% respectively, and the growth rates of the exports of Fujian Province and the imports and exports of Xiamen City will be approximately 10% and 12% 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. In Xiamen port, berths No. 14 to No. 19 in Haicang port area invested and constructed by relevant domestic and overseas shipping companies have been put into operation successively in the second half of 2011. Part of the shipping routes will gradually migrate from the terminals under the Group, bringing impacts to the growth of the container business of the Group.

As a result of the above factors, the Company expected that the development of port business in 2012 will face relatively substantial challenges whereas the overall situation will be very complex. Therefore, the Company will look for steady progress in 2012 by focusing on the core port business, paying close attention to market trend, taking the initiations to grasp market opportunities, responding to new challenges positively, striving to promote the overall performance of the Group and providing shareholders with sound returns. The Group plans to implement the following measures in 2012:

- To adhere to the overall sales and marketing strategy. The Group will demonstrate the advantage of the overall value-chain of the port logistics, improve the synergies among the Group companies and optimize the business operation model. Besides, the Group will reinforce its efforts in marketing promotion and expansion, enhance research and judgment of the market, improve marketing strategies and reinforce the collection and management of the latest information in response to market conditions, expand the coverage of information channels and make decisions on a scientific basis.

- To insist on business expansion. The Group will endeavor to develop port container business and bulk/general cargo loading and unloading business, deepen the cooperation with major shipping companies, optimize the layout of the terminals' shipping routes and enhance port throughputs. The key measures will include: firstly, to develop the container transshipment business, improve inland route business and international transshipment business plan, grasp the opportunity of a large number of vessels of more than 10,000 TEUs being introduced into service in the coming two years, and encourage new shipping companies to have their routes accommodated at the terminal under the Group; secondly, by leveraging on stable development across the Straits and opportunity of the deepening of integrated ancillary reform test for the cross-strait exchange and cooperation, to develop cross-strait direct transport business actively, demonstrating the advantages to Taiwan; thirdly, to develop domestic trade container business, take advantage of government policy to boost domestic demand, and strive to develop domestic trade container business, in particular, the domestic trade transshipment business.

- To stick with the hinterland strategy. Strengthen the development of sources of goods in hinterland market, further consolidate cooperation with customers, and attach emphasis on developing and maintaining customers. Firstly, the Group will carry out the strategy of “Large Customers” pursuant to which the Group will increase cooperation with large customers, build up customers’ loyalty and provide target customers with tailor-made services. Secondly, the Group will endeavor to explore cargo sources with a high profit margin, to compete for long term cargo sources, strengthen its value-added services and continuously increase the proportion of the director customers. Thirdly, the Group will closely monitor the flow of the cargo sources and changes in industrial pattern to grasp high market prices, reinforce the efforts in developing emerging market, new products and business, and speed up the adjustment of the structures of customers and cargo sources. Fourthly, the Group will constantly improve transportation service networks, improve service quality and enhance the timeliness of the sea-rail joint transportation, forge company brand and coordinate development of the sea-rail joint transportation business and land-based port construction so as to make Xiamen port as the harbor gateway link inland provinces and the southeast coast of China.

- To develop new business mode and economic growth momentum. The Group will promote reform and upgrade of traditional logistics and keep exploring new business types and modes so as to apply the successful experience of E-Commerce in shipping agency to the whole logistics sector. The Group will extend the service chain and proactively expand its new business, new projects and new growth momentum while focusing on the promotion of its businesses such as bonded logistics business, customs warehouse receipt business, off-port tugging business expansion and special tally.

- To explore the production potential of ports. Firstly, the Group will further optimize the integration of the business chain of port logistics and enhance the synergy among various sectors of the business chain of port logistics. Secondly, the Group will optimize the allocation of operating resources, devote to put the relevant berths at southern port area of Liuwudian into production and further develop the stone importing business, while exploring the operating potential of Dongdu Terminal and berth No. 8 of Haicang port area so as to promote the sustaining growth of the Group’s bulk/general cargo business. Thirdly, the Group will speed up the upgrading of berths No. 2 to No. 6 at Haicang port area in response to increasing size of container ships, and improve the carrying capacity of berths, which would help to better meet the customers’ demand.

- To further optimize the function layout of terminals. The Group will speed up the adjustment of the function layout of terminals under the Group and concentrate the resources on core business development, intensifying production organization and on-site management and continuously improving the operational efficiency of terminals, thus providing customers with quality terminal services. In addition, the Group will implement innovative mode of development and grasp the pattern of market changes to strengthen its adaptability to the market environment and enhance the operational capacity of capital. The Group will also create room for development and strive to cultivate branch line harbors and feeder ports, facilitating the Group's comprehensive, coordinated and sustainable development.

- To actively respond to market competition. The Group will closely notice the market trends for relevant new terminals and others and strengthen the business relationship with relevant shipping companies, adopting active responding measures and striving to maintain steady terminal routes. The Group will also enhance the coordination and communication among the terminals in Xiamen port and make effort to maintain the market competition in a reasonable order.

- To comprehensively implement its refined management. The Group will integrate the philosophy of refined management into every single sector of the operations, continue to strengthen its cost control and strictly monitor the cost and expenditure. Firstly, the Company will uphold the low-carbon development and enhance the research and application of energy-saving technology. The Group will also reduce the corporate cost of consumption by implementing measures to reduce energy consumption, such as the promotion of its scientific and technological achievements, and technological transformation. Secondly, based on the innovative technology and optimized operational process, the Group will strengthen the marketing and application of E-Commerce, further promote informationization and focus on in-depth development of information systems so as to effectively reduce the cost in material operational procedures and enhance operating efficiency.

- 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 to make the appropriate decisions based on the needs of management and operational circumstances at the time.

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 helps to fulfill the corporate targets, ensure higher transparency and better safeguard shareholders' interests. The Board strives to maintain and promote the corporate governance level of the Company with a responsible attitude in a timely, transparent and effective manner, and 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 period from 1 January 2011 to 31 December 2011 ("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 of the Company (the "Directors") considers that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the year ended 31 December 2011. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

THE BOARD

The Board operates on the principle of maximizing the interests of the Company and its shareholders as a whole. The Board is responsible for leading and supervising the Group, and collectively facilitates continuous development of the Group through instructing and monitoring the Group's business.

DIRECTORS

The second session of the Board is comprised of 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.

In accordance with the Articles of Association of the Company (the "Articles"), each Director shall be appointed for a term of three years and shall be eligible for re-election upon the expiry of his or her term. At the first Extraordinary General Meeting of the Company in 2011 held on 28 February 2011, the eleven current Directors of the Company, including Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing, Ms. MIAO Luping, Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong, Ms. HONG Lijuan, Mr. KE Dong, Mr. ZHEN Hong and Mr. HUI Wang Chuen, were re-elected, and Mr. LIU Feng was appointed, as the Directors of the third session of the Board, of which Mr. LIU Feng (the newly appointed Director), Mr. ZHEN Hong and Mr. HUI Wang Chuen were Independent Non-executive Directors. On the same day, Mr. LIN Kaibiao was elected as the Chairman of the Board; Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan were appointed as Executive Directors; Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong were appointed as Non-executive Directors; and Ms. HONG Lijuan was re-appointed as the Secretary to the Board/the company secretary (the "Company Secretary") at the 1st meeting of the third session of the Board of the Company.

Accordingly, as of 31 December 2011, the Directors of the Company are as follows:

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

Non-executive Directors:
Mr. ZHENG Yongen
Mr. CHEN Dingyu
Mr. FU Chengjing
Mr. KE Dong

Independent Non-executive Directors:
Mr. LIU Feng
Mr. ZHEN Hong
Mr. HUI Wang Chuen

THE SUPERVISORY COMMITTEE

The second session of the Supervisory Committee of the Company is comprised of six Supervisors (the "Supervisors"), including two Supervisors who were recommended by the shareholders, namely Mr. FANG Zuhui, 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.

In accordance with the Articles, each Supervisor shall be appointed for a term of three years and shall be eligible for re-election upon the expiry of his or her term. At the first Extraordinary General Meeting of the Company in 2011 held on 28 February 2011, two current Supervisors, namely Mr. LUO Jianzhong and Mr. TANG Jinmu, were re-elected, Mr. YAN Tengyun and Mr. XIAO Zuoping were newly appointed, as the Supervisors of the third session of the Supervisory Committee of the Company (Mr. WU Jianliang and Mr. WU Weijian are staff representative Supervisors and also have been re-elected at the staff representative meeting of the Company held on 23 February 2011), of which Mr. XIAO Zuoping and Mr. TANG Jinmu were independent Supervisors. On the same day, Mr. YAN Tengyun was elected as the chairman of the Supervisory Committee at the 1st meeting of the third session of the Supervisory Committee of the Company.

Accordingly, as of 31 December 2011, the Supervisors of the Company are as follows:

Supervisors:
Mr. YAN Tengyun *(chairman of the Supervisory Committee)*
Mr. LUO Jianzhong
Mr. WU Jianliang
Mr. WU Weijian
Mr. TANG Jinmu
Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 54 to 65 of this annual report and on the Company's website at http://www.xipc.com.cn.

The Board is comprised of Executive Directors, Non-executive Directors and 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 port terminal operation, corporate management, finance, laws, investment and financing, and perform their duties honestly, faithfully and diligently in the best interest of the Group and the shareholders as a whole.

During the year ended 31 December 2011, 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.

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 maintained the status of independence as defined in the Listing Rules.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the corporate governance of the Company and is required to ensure proper compliance with applicable laws and regulations, to give balanced, lucid and easy-to-understand assessments on the performance, conditions and prospects of the Company as set out in the annual and interim reports, to announce other price-sensitive information and other financial disclosure as required by the Listing Rules, and to report any disclosable information to regulatory authorities in accordance with statutory requirements.

The Board is accountable to shareholders and has fiduciary and statutory obligations owed to the Company and the Group. Under the leadership of the chairman and pursuant to the requirements of the Articles, the Board collectively exercises a number of powers, including:

- formulating long-term strategy;
- formulating annual financial 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;
- formulating 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 proposal of the establishment of the Company's internal management structure;

- drawing up the Company's basic management system; and

- formulating detailed rules and regulations of the Company.

As of 31 December 2011, the senior management of the Company is comprised of FANG Yao, General Manager, HUANG Zirong, Deputy General Manager, HONG Lijuan, Deputy General Manager and YANG Hongtu, Deputy General Manager (Mr. YANG Hongtu was appointed as Deputy General Manager of the Company at the 4th meeting of the third session of the Board held on 24 August 2011, Mr. LU Jianwei resigned from his position as the financial controller of the Company on the same day). Mr. ZHANG Yibing is the qualified accountant of the Company. As of 27 March 2012, certain changes were made to the management of the Company at the 10th meeting of the third session of the Board: Mr. HUANG Zirong was appointed as the General Manager of the Company, Mr. FANG Yao ceased to act as the General Manager of the Company; Ms. HONG Lijuan and Mr. YANG Hongtu continue to be the Deputy General Managers of the Company and Mr. CHEN Zhaohui was appointed as a Deputy General Manager 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 normal operation of the Board with good corporate governance practices and procedures. The General Manager assumes the responsibility to perform the above duties and the other management duties in accordance with the Articles under the assistance and support of other members of the management, and is responsible for the daily operation and management of the Company to facilitate the Company to achieve its overall business targets. The Board has resolved to approve the "*Regulations for the Chairman's Works*" and the "*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 all non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new members of the Board and the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after their respective appointment. 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 2011, or has entered into with the Company any service contract which shall be not terminable 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 in order to procure the Board to make more complete and prudent decisions, important functions of corporate governance are borne by the three Independent Non-executive Directors of the Company. In addition, each of the three Independent Non-executive Directors also play an important role in the four professional committees under the Board, of which three of the four professional committees are chaired by each of them respectively, in order to promote good corporate governance in respect of financial audit and internal control, remuneration management and strategic planning. They also undertake the important functions of reviewing and monitoring the connected transactions of the Group and make sufficient checks and balances, 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.

The Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management to indemnify them against all liabilities howsoever arising from the activities conducted by the Directors, Supervisors and senior management of the Company. The insurance coverage shall be reviewed by the Company on an annual basis.

BOARD MEETINGS

The Company strives to provide all Directors with sufficient information concerning the matters to be reviewed and resolved at the meetings of the Board and each professional committee so that the Directors have readily available information in making reasoned decisions and fulfilling their functions and responsibilities. In 2011, all Directors proactively attended each of the board meetings and professional committees meetings with an attendance rate of 100%. The Board believes that each of the Directors has devoted sufficient time to the business of the Company during the reporting period and all of them are capable of discharging their functions.

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. In order to facilitate maximum attendance, notices (including the relevant schedules) of Board meetings were dispatched to all Directors at least 14 days in advance during the year of 2011. In respect of the extraordinary board meeting, notices as to the time, venue and meeting method to be applied shall be given to all the Directors at least ten days before the meeting was 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. If any Director is unable to attend the meeting, he or she shall also be informed of such matters to be addressed at the meeting, and has opportunity to present his or her own opinion to the chairman before the meeting is held and is also entitled to authorize any other Director to vote on his or her behalf.

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 resolution.

During the year of 2011, the second session of the Board held one meeting. The attendance of each Director is set out below:

Members of the Board	Number of the Board meetings attended in person/by proxy	Attendance Rate
Executive Directors		
ZHENG Yonggen	1/0	100%
CHEN Dingyu	1/0	100%
FANG Yao	1/0	100%
HUANG Zirong	1/0	100%
HONG Lijuan	1/0	100%
Non-executive Directors		
FU Chengjing	1/0	100%
MIAO Luping	1/0	100%
LIN Kaibiao	1/0	100%
KE Dong	1/0	100%
Independent Non-executive Directors		
HUANG Shizhong	1/0	100%
ZHEN Hong	1/0	100%
HUI Wang Chuen	1/0	100%

The third session of the Board was elected and appointed on 28 February 2011 and held six meetings since then during the year of 2011. The attendance of each Director is set out below:

Members of the Board	Number of the Board meetings attended in person/by proxy	Attendance Rate
Executive Directors		
LIN Kaibiao	6/0	100%
MIAO Luping	4/2[a]	100%
FANG Yao	5/1[b]	100%
HUANG Zirong	5/1[c]	100%
HONG Lijuan	6/0	100%
Non-executive Directors		
ZHENG Yonggen	5/1[d]	100%
CHEN Dingyu	4/2[e]	100%
FU Chengjing	5/1[f]	100%
KE Dong	6/0	100%
Independent Non-executive Directors		
LIU Feng	5/1[g]	100%
ZHEN Hong	5/1[h]	100%
HUI Wang Chuen	5/1[i]	100%

Note:

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

b Mr. FANG Yao was present in five of the six 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 five of the six 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. ZHENG Yonggen was present in five of the six 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. CHEN Dingyu was present in four of the six Board meetings, and the remaining two Board meetings were attended and voted on his behalf by another authorized Director during his business trip out of Xiamen.

f Mr. FU Chengjing was present in five of the six 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. LIU Feng was present in five of the six 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.

h Mr. ZHEN Hong was present in five of the six 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.

i Mr. HUI Wang Chuen was present in five of the six 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.

The Chairman or the Vice Chairman is responsible for conducting the procedures of the Board meetings. They ensure that sufficient time is allocated for discussion and consideration of each item on the agenda that equal opportunities are given to all Directors to speak and express their opinions 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 of the People's Republic of China (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 reasoned decisions, 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 by the Company 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. In addition, the Nomination Committee was established by the Board on 28 February 2011. 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.

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

The second session of the Audit Committee of the Company comprises 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. On 28 February 2011, the third session of the Board was elected on the election of the new session of the Board, two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. ZHEN Hong and one Non-executive Director, Mr. FU Chengjing, were appointed as the members of the third session of the Audit Committee following the resolution passed at the first meeting of the third session of the Audit Committee held by the Company on the same day, of which, LIU Feng served as the chairman of the third session of the Audit Committee. All members of the Audit Committee possess relevant professional skills and experiences and one of them is an Independent Non-executive Director with professional qualifications and financial management expertise. Accordingly, 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, removal and remunerations of the external auditor, reviewing and monitoring the independence of the external auditor 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 Group's annual report on annual results for the year ended 31 December 2010 and the interim report on interim results for the six months ended 30 June 2011, reviewing the audit results presented by the auditors, and discussing with the external auditors in respect of any important findings and audit matters, reviewing the non-exempted continuing connected transactions of the Group, re-appointment of auditors and fixing its remuneration, submitting recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2011.

The attendance records of the meetings of the third session of the Audit Committee are as follows:

Members of the Audit Committee	Number of committee meetings attended in person/by proxy	Attendance Rate
LIU Feng	2/0	100%
ZHEN Hong	1/1[a]	100%
FU Chengjing	1/1[b]	100%

a Mr. ZHEN Hong was present in one of the two Audit Committee meetings, and the other Audit Committee meeting was attended and voted on his behalf by another authorized Independent Non-executive Director, Mr. LIU Feng during his business trip.

b Mr. FU Chengjing was present in one of the two Audit Committee meetings, and the other Audit Committee meeting was attended and voted on his behalf by another authorized Independent Non-executive Director, Mr. LIU Feng during his business trip.

REMUNERATION COMMITTEE

The second session of the Remuneration Committee of the Company consists of two Independent Non-executive Directors, Mr. HUI Wang Chuen and Mr. HUANG Shizhong and the Executive Director, Mr. CHEN Dingyu. The chairman of the Remuneration Committee was Mr. HUI Wang Chuen. On 28 February 2011, the third session of the Board was elected on the election of the new session of the Board, following the resolution passed at the first meeting of the third session of the Board held by the Company on the same day, the Independent Non-executive Directors, Mr. HUI Wang Chuen and Mr. LIU Feng and the Non-executive Director, Mr. CHEN Dingyu, were appointed as the members of the third session of the Remuneration Committee, of which, Mr. HUI Wang Chuen was continued to be appointed as the chairman of the Remuneration Committee.

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 determine their remuneration levels, and to make recommendations to the Board in respect of directors' fee and directors' annual remuneration. The Remuneration Committee will engage professional consultants for provision of assistance and/or professional advice on related matters when needed.

During the Reporting Period, the Remuneration Committee of the Company met twice to review and approve the Directors', Supervisors' and senior management's remuneration, including the granting of annual bonus, reviewing and perfecting remuneration policy. Before determining the remunerations and benefits (including salary and bonus), the Remuneration Committee has taken full consideration of factors such as the comparable market remuneration level in the mainland of 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 remuneration of Directors and senior management with reference to their performance and the objectives set by the Board from time to time.

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

Members of the Remuneration Committee	Number of committee meetings attended in person/ by proxy	Attendance Rate
HUI Wang Chuen	1/1[a]	100%
CHEN Dingyu	2/0	100%
HUANG Shizhong (Resigned on 28 February 2011)	1/0[b]	100%
LIU Feng (Appointed on 28 February 2011)	1/0[b]	100%

a Mr. HUI Wang Chuen was present in one of the two Remuneration Committee meetings, and the remaining Remuneration Committee meeting was voted on his behalf by another authorized Independent Non-executive Director, Mr. LIU Feng during his business trip;

b In 2011, each of the second and the third session of the Remuneration Committee held one meeting respectively, therefore HUANG Shizhong and LIU Feng attended one time for each meeting, and the attendance rates are both 100% during the Reporting Period.

REMUNERATION POLICY FOR DIRECTORS

The remuneration policy for Directors aims to ensure that the remuneration level is sufficiently competitive and effective to attract, retain and incentivize Directors. The purpose of the remuneration policy of the Non-executive Directors is to ensure that they 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. The remuneration for Non-executive Directors is paid in the form of directors' fee. The principal elements of the remuneration package of Executive Directors include basic salary and related allowances, benefits in kind and discretionary cash bonus, pension scheme contribution and relevant insurance benefits. Cash bonuses for Executive Directors, as incentives for them to achieve corporate objectives, are pegged with the Group's operating results.

As our general practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. Subsequent to the approval at the general meeting, the plan will be implemented. The emoluments paid to each Director by the Company for the year ended 31 December 2011 are set out in Note 36 to the financial statements.

BUSINESS STRATEGY COMMITTEE

In 2011, the second session of the Business Strategy Committee of the Company comprised an Independent Non-executive Director, Mr. ZHEN Hong, three Executive Directors, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FANG Yao and two Non-executive Directors, Mr. FU Chengjing and Ms. MIAO Luping, of which, Mr. ZHEN Hong is the chairman of the Business Strategy Committee. On 28 February 2011, the third session of the Board was elected on the election of the new session of the Board, following the resolution passed at the first meeting of the third session of the Board held by the Company on the same day, the Independent Non-executive Director, Mr. ZHEN Hong and the Executive Directors, Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao and Non-executive Directors, Mr. CHEN Dingyu and Mr. FU Chengjing were appointed as the members of the third session of the Business Strategy Committee. Mr. ZHEN Hong was continued to be appointed as the chairman of the Business Strategy Committee.

The main duties of 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.

In 2011, The Business Strategy Committee of the Company held two meetings in respect of discussing and reviewing business schedule issues of 2011. During the Reporting Period, most of members of the Business Strategy Committee were also, 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 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	2/0	100%
LIN Kaibiao (Appointed on 28 February, 2011)	1/0[a]	100%
ZHENG Yongen (Resigned on 28 February 2011)	1/0[a]	100%
MIAO Luping	1/1[b]	100%
FANG Yao	2/0	100%
CHEN Dingyu	1/1[c]	100%
FU Chengjing	1/1[d]	100%

a In 2011, the second and the third session of the Business Strategy Committee held one meeting respectively, therefore ZHENG Yongen and LIN Kaibiao attended each meeting one time respectively during the Reporting Period, and the attendance rate was both 100%;

b Ms. MIAO Luping attended one of the two meetings of the Business Strategy Committee in person, and the remaining meeting was voted by another authorized member on her behalf as she was absent for business trip;

c Mr. CHEN Dingyu attended one of the two meetings of the Business Strategy Committee in person one time, and the remaining meeting was voted by another authorized member on his behalf as he was absent for business trip;

d Mr. FU Chengjing attended one of the two meetings of the Business Strategy Committee in person one time, and the remaining meeting was voted by another authorized member on his behalf as he was absent for business trip.

NOMINATION COMMITTEE

On 28 February 2011, the Nomination Committee was resolved to set up under the Board at the first meeting of the third session of the Board in order to further improve the corporate governance of the Company. The Chairman of the third session of the Board and the Executive Director of the Company, Mr. LIN Kaibiao, and two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. HUI Wang Chuen, were appointed as members of the Nomination Committee of the third session of the Board at this meeting, of which Mr. LIN Kaibiao was appointed as the chairman of the Nomination Committee.

The Board has adopted terms of reference of Nomination Committee which conform to the code provisions as set out in the Corporate Governance Code. The principal duty of the Nomination Committee is to review structure, quorum and composition of the Board, identify qualified person to be members of the Board and assess independence of Independent Non-executive Directors, and advise on relevant issues of succession plan of Directors (particularly the Chairman and the General Manager) to the Board.

The Company believes 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.

NOMINATION OF DIRECTORS

Prior to the establishment of the Nomination Committee, Directors were appointed and re-elected in accordance with the procedures provided in its Articles. Generally, the candidates for directorship are proposed by the controlling shareholder. Nominations for the Directors were put forward for the Board's consideration and approval prior to the submission by the Board for consideration and approval at the general meetings of the Company. Pursuant to the proceedings above, on 7 January 2011, a resolution was passed at the 23rd meeting of the second session of the Board to nominate candidates for the third session of the Board to be elected at the general meeting of the Company. The nominated candidates were appointed as the Directors of the third session of the Board in the first Extraordinary General Meeting of the Company of 2011 on 28 February 2011.

After the establishment of the Nomination Committee of the Company on 28 February 2011, all intended candidates for directorship shall be first considered by the Nomination Committee and, if suitable, then recommend to the Board for consideration and approval prior to the submission by the Board for consideration and approval at the general meetings of the Company. The Nomination Committee will perform an appraisal on the candidates for directorship before making any recommendation to the Board. The underlying principles of the Nomination Committee 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/her integrity, independence in decision making and capability to contribute time and effort to effectively discharge the duties concerned;

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

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

- compliance with the relevant requirements or provisions of Listing Rules in respect of Directors' taking office.

During the Reporting Period, no meeting has been held for the Nomination Committee of the Company since its establishment on 28 February 2011.

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 2010 annual general meeting held on 7 June 2011, for a term until the expiration of the forthcoming annual general meeting.

For the year ended 31 December 2011, the total remuneration paid and payable to the external auditors by the Company amounted to RMB2,480,000, exclusively for audit services. The Company did not pay any fees for non-audit services to the external auditors.

INTERNAL CONTROL

The Board of the Company assumes the ultimate responsibility for the effectiveness of the internal control and the risk control system. During the year of 2011, the Audit Committee of the Company has already assisted the Board in conducting efficiency review on the effectiveness and the adequacy of the internal control and risk control system twice a year, the scope of which covers all material aspects of the control system, including the financial, operational, compliance and risk management functions etc. The review report will be examined by the Audit Committee and the relevant issues 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, and also complies with the code provisions on internal control set out in the Corporate Governance Code. No significant control deficiency and major area of concern matters which may affect the shareholders has been found so far, and the Board will continue to perfect the internal control system in order to facilitate corporate governance.

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 of the Group, in order to provide a good and effective control system, which in turn protects the shareholders' investment and the Company's assets. The details of such measures are as follows:

(1) Financial control

During the Reporting Period, the Group strictly complies with the relevant laws and regulations and implements 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. The Group also continues to perfect its management accounting system, to provide its management with an indicator to measure the financial and operational performance and provide relevant financial information for reporting and disclosure. Variances against actual performances and targets are prepared, analyzed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plan timely and prudently. The Group values and requires the integrity of the account and finance personnel, as well as their qualification, and continuous training resources and its budgets have been adequately considered.

The Audit Committee of the Company 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 the Company's financial and internal control on behalf of the Audit Committee, under the requirements of "Regulations for Audit Committee's Works". In 2011, 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 2010, 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 2011.

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. 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. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee. As the relevant audit works of the 2011 Internal Audit Plan considered and agreed by the Audit Committee were all completed on schedule, the Company conducted a special audit and internal control inspection on the internal control systems or projects including construction management and the efficiency of the labor cost of the relevant entities under the Company and has also made corresponding recommendations for improvement.

(2) Operational control

The Company's management and its respective departments exercise and discharge their respective powers 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 a month) to identify the market trends and changes, analyze and discuss the performance of each business segment, 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. The Groups' terminals have already installed and utilized the ship dynamic and port production operation monitoring geographical information system, 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.

The Group places great importance on the safety production in the ports and allocates adequate resources in terms of allocation of safety equipment and facilities, safety promotion, safety drilling and staff training. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that the manager and staff at all levels put safety as the top priority, and make effort to promote the safety standard to all sites.

In addition, the Group also places great importance on monitoring activities with higher risks, including trading business, accounts receivables and the other matters concerned specially by the management.

(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 handled prudently 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 has adopted the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules which was amended from time to time, and 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, the "Management System for Information Disclosure Affairs" of the Company has 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 shall be 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", "Investment and Management System (Trial)", 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". 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, 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, so as to further identify the production, commercial, financial, and investment business structure of the Company as a whole, and accordingly, prepare procedure manuals to monitor these procedures and activities, which facilitate the improvement of the Group's risk prevention capability.

The management of the Company had frequent 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. With regard to the Company's actual circumstances, in 2006, the Company prepared a Model Code for Securities Transactions by Directors of Xiamen International Port Co., Ltd. (the "Code") on terms no less than the required standards set out in the Model Code. The Code has been approved at the meeting of the Board and is now effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company. The Company has made specific enquiry of all Directors and obtained specific confirmations by all Directors, Supervisors and senior management that they have at all times complied with the standards required in the Model Code and the Code during the Reporting Period, and the Company has not been aware of any violations during the Reporting Period.

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 2011, 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 and 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 auditor's statement of responsibility report on the financial statements is set out on page 81 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 has adopted and implemented a fair, transparent and timely policy and practices of disclosure, and communicated with shareholders on a regular and timely basis. The Company believes such policy will help our shareholders understand our business better.

The Company considers that the annual general meeting is a conference at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting 45 days before the meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes the shareholders to raise their questions at the above meetings. The Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings.

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, the Audit Committee, the Remuneration Committee and the Business Strategy Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2011, the Company convened two general meetings, namely the first extraordinary general meeting for 2011 and the annual general meeting for 2010.

The shareholders who individually or jointly hold 10% or more of the shares with voting right of the Company can request the Board or the Company Secretary of the Company to convene an extraordinary general meeting or a class general meeting in written form, elaborate the resolutions to be proposed at the meeting and state the reasons proposed and submit the relevant request(s) to the principal place of business in Hong Kong of 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. Any shareholder individually or jointly holding 3% or more of the shares with voting right of the Company has the right to propose an interim proposal no later than 10 days before the general meeting and to submit such proposal to the Board in written form. The Board shall inform other shareholders within two days after receiving the proposal and submit the proposal at the general meeting for review. 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 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 place of business in Hong Kong.

INVESTOR RELATIONSHIP

The Company continues to promote and strengthen investor relationship 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 investors, 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. Before convening the separate meetings with the investors or analysts, all the price-sensitive information or data have been disclosed in accordance with the disclosure polices and practice of the Company.

In order to promote an effective communication, the Company provides the overall information of the Group's business, business strategy and development in its annual and interim reports and results announcement. 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 as required by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 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 on the Company's website).

While upholding the principles of transparency, honesty, fairness and openness, the Company will continue to maintain smooth communication channels with investors or all circles related to it, and improve and continue to enhance the level of its corporate governance and strive to achieve the best practice standard 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
27 March 2012

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. LIN Kaibiao, aged 46, 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. He has also been the chairman and legal representative of Xiamen Haitian Company since 12 March 2012.

Ms. MIAO Luping, aged 48, 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.

Mr. FANG Yao, aged 52, is an 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 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 also been a director of Xiamen Haitian Company since March 2002. He was appointed as the general manager of the Company from March 2005 to March 2012. He has been an Executive Director of the Company since March 2005.

Mr. HUANG Zirong, aged 49, is an Executive Director and 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 was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012 and has also been a director of Xiamen Haitian Company since March 2002. Mr. Huang was an Executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He has been the general manager of the Company and continues to be acting as the Executive Director of the Company since 27 March 2012. He has been an executive director of Xiamen Port Haicang Container Inspection Services Co., Ltd since 20 February 2010.

Ms. HONG Lijuan, aged 48, 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. She has also been a director of Xiamen Haitian Company since 10 May 2007.

Non-executive Directors

Mr. ZHENG Yongen, aged 54, 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 the chairman of Xiamen Port Holding since February 2007. He was the chairman and legal representative of Xiamen Haitian Company from 10 May 2007 to 12 March 2012. 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 55, 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 50, is a Non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a staff and section member of the office of the Xiamen Finance Bureau, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a Non-executive Director of the Company since March 2005. He has been deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007.

Mr. KE Dong, aged 52, 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 has also been a director of Xiamen Haitian Company since March 2002. He has also been the chairman of Xiamen Ocean Shipping Agency Co., Ltd. since 20 April 2006. He has also been the chairman of Zhangzhou Shi Gulei Port Development Co., Ltd. since 28 February 2012. He also acts as a Non-executive Director of the Company since March 2005.

Independent Non-executive Directors

Mr. LIU Feng, aged 46, 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 an independent director of Qingdao Haier Company Limited (a company listed on the Shanghai Stock Exchange in the PRC) and Foshan Saturday Shoes Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC)and a director of Anhui Saunaking Co.,Ltd (a company listed on the Shenzhen Stock Exchange in the PRC). 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 54, 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. He has been acting as an independent director of Deqin Group Co.,Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since December 2011.

Mr. HUI Wang Chuen, aged 68, 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 50, 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 58, 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 57, 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 (a company listed on the Shenzhen Stock Exchange in the PRC) 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 49, 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 53, 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 Instructor. 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 an executive director and the legal representative of Xiamen Port Group Labour Services Co.,Ltd and the legal representative of Xiamen Port Group Hailongchang International Freight Co.,Ltd. He has also been a supervisor of Zhangzhou Shi Gulei Port Development Co., Ltd. since 28 February 2012. Since 23 October 2008, he has also been the Staff Representative Supervisor of the Company.

Mr. TANG Jinmu, aged 46, 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 graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance. 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 acting as an independent director of Xiamen Kehua Hengsheng Co.,Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since July 2010 and an independent director of Zhuhai Shi Letong Chemical Co.,Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since August 2010. He has been a Supervisor of the Company since March 2005.

Mr. XIAO Zuoping, aged 37, 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 55, 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 55, 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 themanager 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 48, 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

HUANG Zirong, 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.

YANG Hongtu, Deputy General Manager

Mr. YANG Hongtu, aged 37, is a deputy general manager of the Company and a Senior Accountant with graduate degree. He graduated from the Accounting Department of Xiamen University in June 1999 and obtained a bachelor's degree and a master's degree in management. He studied in a doctoral class of Accounting Department of Xiamen University from September 2002 to March 2005. He worked in the finance department of Xiamen Port (Group) Co., Ltd. from July 1999 to September 2002 and served as the staff and the deputy manager of finance department. He was the manager of finance department of Xiamen Port Holding from March 2005 to August 2011. He has been the deputy general manager of the Company since August 24, 2011. He has also been a director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since 27 December 2011. He has also been a director of Xiamen Haitian Company since 12 March 2012. He was also the financial controller of Xiamen Port Properties Co., Ltd from June 2006 to August 2009. He also acted as the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from September 2002 to January 2005 and also acted as the member and the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from January 2005 to December 2006. He has also been the member of Management Accounting and Application Specialized Committee of Accounting Society of China and the member of Experts Committee of China Accounting News since January 2009. He has been the standing director of Xiamen Accounting Industry Association since April 2011 and the standing director of Accounting Society of Xiamen since October 2011.

CHEN Zhaohui, Deputy General Manager

Mr. CHEN Zhaohui, aged 43, is a deputy general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area from July 1990 to August 1992. He was the leader of mechanical team, deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to March 2006 (during this period, he attended the job training of "Advanced Course of the Terminal Management" (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director and the general manager of Xiamen Port Power Supply Service Co., Ltd from July 2003 to October 2006. He has been the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd since March 2006. He has been a deputy general manager of the Company since 27 March 2012.

ZHANG Yibing

Mr. ZHANG Yibing, aged 42, 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 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 40, 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 had been the financial controller of the Company from November 2005 to August 2011.

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 ended 31 December 2011 (“the Year”).

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading businesses; and (ii) ancillary value-added port services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the “Core Businesses”). 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 41(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 87.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB3 cents per share (tax inclusive), aggregating RMB81,786,000 to all shareholders whose names appeared on the Register of Members on 20 June 2012, subject to the consideration and approval of the same at the forthcoming annual general meeting to be held on 8 June 2012.

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 RMB681,700 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2011:

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 dividend only out of the annual profit available for distribution, being the balance of the 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.

As at 31 December 2011, the amount of reserves available for distribution, calculated on the above basis, was approximately RMB161,824,000. 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 scheme.

FINANCIAL HIGHLIGHTS

Highlights of the Group's results and assets and liabilities are set out on pages 4 and 5.

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

The second session of the Board of the Company is comprised of 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 second session of the Supervisory Committee of the Company is comprised of six Supervisors, including two Supervisors who were recommended by the shareholders, 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.

According to the Article, all Directors and Supervisors are elected for a term of three years and subject to re-election when their terms expire. At the first extraordinary general meeting of 2011 of the Company held on 18 February 2011, all of the eleven incumbent Directors of the Company, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing, Ms. MIAO Luping, Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong, Ms. HONG Lijuan, Mr. KE Dong, Mr. ZHEN Hong and Mr. HUI Wang Chuen were re-elected, and Mr. LIU Feng was appointed as the Director of the third session of the Board of the Company, where Mr. LIU Feng (newly appointed Director), Mr. ZHEN Hong and Mr. HUI Wang Chuen are Independent Non-executive Directors; At the same extraordinary general meeting, two incumbent Supervisors, namely Mr. LUO Jianzhong and Mr. TANG Jinmu, were re-elected, and Mr. YAN Tengyun and Mr. XIAO Zuoping were newly appointed as the Supervisors of the third session of the Supervisory Committee of the Company (both of Mr. WU Jianliang and Mr. WU Weijian, being the staff representative Supervisors, were re-elected at the staff representatives meeting of the Company held on 23 February 2011), where Mr. XIAO Zuoping and Mr. TANG Jinmu are Independent Supervisors.

On 28 February 2011, the Company held the first meeting of the third session of the Board, Mr. LIN Kaibiao was elected as the Chairman, Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan were appointed as Executive Directors, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong were appointed as Non-executive Directors, and Ms. HONG Lijuan was re-appointed as the secretary to the Board/the Company Secretary; On the same day, the Company held the first meeting of the third session of the Supervisory Committee, at which Mr. YAN Tengyun was elected as the chairman of the Supervisory Committee.

Accordingly, as of 31 December 2011, Members of the third session of the Board of the Company include five Executive Directors, namely Mr. LIN Kaibiao (Chairman), Ms. MIAO Luping, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan; four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong; and three Independent Non-executive Directors, namely Mr. LIU Feng, Mr. ZHEN Hong and Mr. HUI Wang Chuen. Members of the third session of the Supervisory Committee of the Company include two Supervisors who were recommended by shareholders, namely Mr. YAN Tengyun (chairman of the Supervisory Committee) 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. XIAO Zuoping.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the third 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, commencing on 28 February 2011 and until the expiry of the term of the third session of the Board or the Supervisory Committee of the Company.

The Company did not enter into any service contract with any Director or Supervisor which is not determinable 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 their service contracts with the Company, none of the Directors or Supervisors had 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

As at the date of this report, the biography of each of the existing and resigned Directors, Supervisors and senior management of the Company are set out on pages 54 to 65.

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 2011, 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 2011, 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 shares	Number of shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic Shares	1,702,900,000 (Long position)	Beneficial owner	97.90%	62.46%
China Shipping (Group) Co.	H Shares	78,894,000* (Long position)	Interest of controlled cooperation	8.00%	2.89%
China Shipping (Hong Kong) Holdings Co., Limited	H Shares	78,894,000* (Long position)	Interest of controlled cooperation	8.00%	2.89%
China Shipping Terminal Development (Hong Kong) Company Limited	H Shares	78,894,000* (Long position)	Beneficial owner	8.00%	2.89%

* The 78,894,000 shares stated here referred to the same batch of shares.

Save as disclosed above, as at 31 December 2011, to the best of the knowledge of 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 2011, the Company has entered into and executed the following one-off connected transaction:

As approved by the Board of the Company, the Board of the Company published an announcement on 5 December 2011 that the Company has entered into an equity transfer agreement with APMT in relation to the Company's acquisition of 25% equity interest in Xiamen Songyu from APMT at a consideration of RMB530,000,800 in order to enable the Company to participate in the joint operation and management of Xiamen Songyu (the "Acquisition"). Pursuant to the Listing Rules, the Acquisition constitutes a discloseable and connected transaction of the Company, and is subject to the reporting, announcement and independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules. Accordingly, the Company issued a circular to the shareholders on 28 December 2011 in relation to the first extraordinary general meeting of 2012 held on 15 February 2012, at which the Acquisition was approved at the general meeting and subsequently approved by the Xiamen Municipal Bureau of Investment Promotion (厦門市投資促進局) on 17 February 2012. The Company is currently carrying out certain requisite procedures to complete the Acquisition.

For details of the Acquisition, please refer to the Company's announcement dated 5 December 2011 published on the websites of the Stock Exchange and the Company and the Company's circular issued to the shareholders on 28 December 2011.

In addition, due to the operation demands of the Group, during the Year, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its subsidiary companies (collectively known as "Xiamen Port Holding Group") and certain other connected parties outside the Group. Set out below is a table summarizing the Group's non-exempt continuing connected transactions:

			2011	
	Services	Connected parties	Proposed annual cap (RMB)	Actual amount Incurred (RMB)
A.	Office/premises/terminal facilities lease	Xiamen Port Holding Group	80,000,000	52,598,000
B.	Logistics property services	Xiamen Port Holding Group	9,500,000	9,446,000
C.	Comprehensive services	Xiamen Port Holding Group	30,000,000	25,578,000
D.	Construction project management*	Xiamen Port Holding Group	4,000,000	–
E.	Port facilities engineering and construction	Xiamen Port Holding Group	30,000,000	16,045,000
F.	Port-related labour services	Xiamen Port Holding Group	36,000,000	30,354,000
G.	Electrical equipment maintenance	Xiamen Port Holding Group	23,000,000	1,614,000
H.	Port services	COSCO Container Lines Co., Ltd	96,200,000	96,166,000
I.	Power supply and maintenance	Xiamen Port Holding Group	17,000,000	7,369,000
J.	Container horizontal transportation	Xiamen Port Holding Group	9,500,000	8,305,000
K.	Terminal labour and tallying services	Xiamen Port Holding Group	4,003,000	2,525,000
L.	Information services	Xiamen Port Holding Group	10,000,000	6,475,000

* The Company did not have this kind of connected transactions for the Year.

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 Independent Non-executive Directors of the Company had 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 submitted 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 Group has implemented corporate annuity schemes combined with its actual situations. According to statistics, for the Year, the aggregate corporate contribution of the Group to the corporate annuity was approximately RMB5,514,000, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB316,000.

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 RMB225,068.5. 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 2011, 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.

According to Advanced Technology Service Enterprise Certificate (Certificate Number: 20103510010005) jointly granted by eight government departments (Xiamen Finance Bureau, Xiamen State Tax Administration, etc) in Xiamen City to China Ocean Shipping Agency Xiamen Co., Ltd. ("Agency", a subsidiary of the Company) on 15 December 2010, by the year ending 31 December 2013, Agency can pay the corporate income tax according to the reduced 15% tax rate, and its income from outsourcing business of offshore services can be exempt from business tax.

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 was 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 24% for 2011, whereas 25% (the statutory tax rate) for 2012. With the exception of the corporate income tax concessions as applied to the Company in 2011 mentioned above, as well as the fact that the tax rate applicable to XHICT in 2011 was 12.5% and the tax rate applicable to Agency in 2011 was 15%, the corporate income tax rate applicable to the member companies of the Group was 24% in 2011, and 25% (the statutory tax rate) for the years thereafter.

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, and the Board considers that the efficient corporate governance has made an important contribution to the success of the Company's operation and the value enhancement of shareholders as whole. 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 annual 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 annual report have been audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, 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
27 March 2012

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd

The Supervisory Committee of the Company hereby presents the Report of the Supervisory Committee.

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2011

In the year of 2011, all members of the Supervisory Committee of the Company had been discharging their duties conscientiously and performing its work sedulously and initiatively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on a basis of integrity and diligence, so as to safeguard the interests of the Company and the shareholders as a whole.

During the Reporting Period, the Supervisory Committee of the Company convened a meeting of re-election that according to the provisions of the Articles, the Supervisory Committee of the Company is comprised of six members. The members of the second session of the Supervisory Committee include Mr. FANG Zuhui, the chairman of the Supervisory Committee, Mr. LUO Jianzhong, the Supervisor, and Mr. WU Jianliang and Mr. Wu Weijian, the staff representative Supervisors, and Mr. TANG Jinmu and Mr. HE Shaoping, the independent Supervisors; and at the first 2011 Extraordinary General Meeting of the Company held on 28 February 2011, two incumbent Supervisors, namely Mr. LUO Jianzhong and Mr. TANG Jinmu, were re-elected and Mr. YAN Tengyun and Mr. XIAO Zuoping were newly elected as the Supervisors of the Company, and the above 4 Supervisors together with Mr. WU Jianliang and Mr. Wu Weijian, the staff representative Supervisors (re-elected at the Staff Representative Meeting of the Company held on 23 February 2011) jointly constituted the third session of the Supervisory Committee of the Company, and among them, Mr. XIAO Zuoping and Mr. TANG Jinmu were the independent Supervisors.

In the year of 2011, the Supervisory Committee of the Company convened four meetings, mainly for reviewing and passing the financial documents such as the annual report and interim report of the Company and the report on the work of the Supervisory Committee in 2011, and nominating the relevant candidates of the third session of the Supervisory Committee of the Company, reviewing and passing the service agreements of the third session of the Supervisory Committee of the Company, and electing Mr. YAN Tengyun as the chairman of the third session of the Supervisory Committee of the Company, which each became the 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 2011, debriefing on the work report and financial position report concerning the operations of the Company, 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 2011

1. Operation of the Company in compliance with the law

The Supervisory Committee had strictly monitored the operation and management of the Company and 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 implemented strictly and further improved, and the Company was enable to strictly execute all the applicable laws and regulations and to operate normally in accordance with the requirements of 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 neither found contravention of applicable laws or regulations or the Articles nor acts detrimental to the interests of the Company and its shareholders done by the Directors and senior management of the Company.

2. Financial position of the Company

The Supervisory Committee had carefully audited the 2011 financial report, the 2011 profit allocation proposal of the Company and the 2011 auditors' report issued by the auditors of the Company in Hong Kong, PricewaterhouseCoopers, Certified Public Accountants, and other relevant information. 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 2011 financial report of the Company gives an objective, fair and true 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 status of operation.

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 and the terms of transaction were fair and reasonable and adhering to the principle of fairness, openness and impartiality. These transaction prices were negotiated and determined on the basis of fair market value. No circumstances which would have been detrimental to the interests of the Company and its shareholders as a whole were discovered.

In 2012, all members of the Supervisory Committee will continue to strictly discharge their functions as per the authorities conferred by 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
27 March 2012

Independent Auditor's Report

羅兵咸永道

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 83 to 196, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 about whether the consolidated financial statements are free from material misstatement.

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pwc 羅兵咸永道

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 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 2011, 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, 27 March 2012

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investment properties	5	63,455	49,453
Property, plant and equipment	6	3,230,765	3,096,962
Land use rights	7	994,383	1,010,928
Intangible assets	8	55,633	54,257
Interests in associates	11	35,766	34,954
Available-for-sale financial assets	12	69,487	97,365
Deferred income tax assets	13	51,926	52,707
Total non-current assets		4,501,415	4,396,626
Current assets			
Inventories	14	261,274	159,314
Accounts and notes receivable	15	647,966	581,679
Other receivables and prepayments	16	184,279	196,033
Term deposits with initial term of over three months	17	72,097	84,847
Restricted cash	18	78,600	36,604
Cash and cash equivalents	19	926,176	1,154,304
Total current assets		2,170,392	2,212,781
Total assets		6,671,807	6,609,407
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	2,726,200	2,726,200
Reserves	26	1,198,298	1,179,987
		3,924,498	3,906,187
Non-controlling interests		1,028,148	960,959
Total equity		4,952,646	4,867,146
LIABILITIES			
Non-current liabilities			
Borrowings	24	291,266	287,742
Derivative financial instrument	22	3,658	6,355
Deferred government grants and income	23	115,732	121,181
Early retirement benefit obligations		1,962	2,328
Deferred income tax liabilities	13	14,827	22,080
Total non-current liabilities		427,445	439,686

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Current liabilities			
Accounts and notes payable	20	**645,989**	680,365
Other payables and accruals	21	**473,885**	501,589
Borrowings	24	**148,292**	104,486
Taxes payable		**23,550**	16,135
Total current liabilities		**1,291,716**	1,302,575
Total liabilities		**1,719,161**	1,742,261
Total equity and liabilities		**6,671,807**	6,609,407
Net current assets		**878,676**	910,206
Total assets less current liabilities		**5,380,091**	5,306,832

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,409,613**	1,345,008
Land use rights	7	**420,606**	427,753
Intangible assets	8	**3,918**	59
Investments in subsidiaries	9	**1,402,633**	1,402,633
Investments in jointly controlled entities	10	**286,628**	286,628
Available-for-sale financial assets	12	**65,031**	92,839
Deferred income tax assets	13	**1,082**	1,419
Total non-current assets		**3,589,511**	3,556,339
Current assets			
Inventories	14	**983**	1,243
Accounts receivable	15	**54,119**	55,852
Other receivables and prepayments	16	**191,954**	143,016
Restricted cash	18	**7,240**	–
Cash and cash equivalents	19	**291,046**	478,941
Total current assets		**545,342**	679,052
Total assets		**4,134,853**	4,235,391
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**2,726,200**	2,726,200
Reserves	26	**1,038,773**	1,122,521
Total equity		**3,764,973**	3,848,721
LIABILITIES			
Non-current liabilities			
Borrowings	24	**60,804**	68,141
Derivative financial instrument	22	**3,658**	6,355
Deferred government grants and income	23	**70,955**	72,918
Deferred income tax liabilities	13	**11,725**	18,614
Total non-current liabilities		**147,142**	166,028

Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Current liabilities			
Accounts payable	20	**13,484**	6,415
Other payables and accruals	21	**205,227**	210,398
Borrowings	24	**4,027**	3,829
Total current liabilities		**222,738**	220,642
Total liabilities		**369,880**	386,670
Total equity and liabilities		**4,134,853**	4,235,391
Net current assets		**322,604**	458,410
Total assets less current liabilities		**3,912,115**	4,014,749

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenues	27	**3,069,703**	2,241,717
Cost of sales		**(2,481,890)**	(1,676,716)
Gross profit		**587,813**	565,001
Other income	27	**63,714**	36,551
Other gains — net	28	**3,039**	44,718
Selling and marketing expenses		**(32,791)**	(30,508)
General and administrative expenses		**(172,230)**	(156,034)
Operating profit		**449,545**	459,728
Finance income	31	**21,972**	13,479
Finance costs	31	**(24,041)**	(15,939)
		447,476	457,268
Share of profits less losses of associates	11	**2,812**	1,381
Profit before income tax expense		**450,288**	458,649
Income tax expense	32(a)	**(62,287)**	(52,528)
Profit for the year		**388,001**	406,121
Profit attributable to:			
Owners of the Company	33	**284,337**	325,814
Non-controlling interests		**103,664**	80,307
		388,001	406,121
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted (in RMB cents)	35	**10.43**	11.95
Dividends			
— Interim dividends paid		**—**	109,048
— Final dividends proposed	34	**81,786**	245,358
		81,786	354,406

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**388,001**	406,121
Other comprehensive loss, net of tax		
— Fair value losses on available-for-sale financial assets, net of tax	**(20,668)**	(45,332)
Total comprehensive income for the year	**367,333**	360,789
Total comprehensive income for the year attributable to:		
— Owners of the Company	**263,669**	280,482
— Non-controlling interests	**103,664**	80,307
	367,333	360,789

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company					
	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 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 (loss)/income	–	(45,332)	325,814	280,482	80,307	360,789
Total contributions by and distributions to owners of the Company recognised directly in equity						
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	250	250
2009 final dividends	–	–	(136,310)	(136,310)	–	(136,310)
2010 interim dividends	–	–	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company					
	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 2011	2,726,200	(274,327)	1,454,314	3,906,187	960,959	4,867,146
Comprehensive income						
Profit for the year	–	–	284,337	284,337	103,664	388,001
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	–	(20,668)	–	(20,668)	–	(20,668)
– Gross	–	(27,557)	–	(27,557)	–	(27,557)
– Related deferred income tax	–	6,889	–	6,889	–	6,889
Total comprehensive (loss)/income	–	(20,668)	284,337	263,669	103,664	367,333
Total contributions by and distributions to owners of the Company recognised directly in equity						
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	2,000	2,000
2010 final dividends	–	–	(245,358)	(245,358)	–	(245,358)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(38,475)	(38,475)
Profit appropriation	–	20,454	(20,454)	–	–	–
Balance at 31 December 2011	2,726,200	(274,541)	1,472,839	3,924,498	1,028,148	4,952,646

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Net cash generated from operations	37(a)	**368,340**	711,686
Interest paid		**(25,937)**	(18,086)
Income tax paid		**(54,455)**	(49,521)
Net cash generated from operating activities		**287,948**	644,079
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		**(311,099)**	(219,868)
Proceeds from disposals of property, plant and equipment and intangible assets		**9,072**	97,538
Investment in available-for-sale financial assets		**–**	(2,295)
Disposal of available-for-sale financial assets		**70**	–
Interest received		**18,427**	11,089
Dividends received		**2,380**	2,279
Net decrease in term deposits with initial term of over three months		**12,750**	47,033
Net cash used in investing activities		**(268,400)**	(64,224)
Cash flows from financing activities			
Proceeds from borrowings		**213,683**	168,518
Repayments of borrowings		**(163,042)**	(158,810)
Contribution from non-controlling shareholder of a subsidiary		**2,000**	250
Capital contribution from a joint venture partner of a jointly controlled entity		**–**	25,190
Dividends paid to owners of the Company		**(245,358)**	(243,527)
Dividends paid to non-controlling shareholders of subsidiaries		**(51,371)**	(20,616)
Net cash used in financing activities		**(244,088)**	(228,995)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(224,540)**	350,860
Cash and cash equivalents at beginning of year		**1,154,304**	806,557
Exchange losses on cash and cash equivalents		**(3,588)**	(3,113)
Cash and cash equivalents at end of year	19	**926,176**	1,154,304

The notes on pages 93 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 92 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

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 merchandise, 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 27 March 2012.

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 certain available-for-sale financial assets and derivative financial instrument.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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.

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 2011, 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 2011 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 2011:

- The improvement related to HKAS 1 "Presentation of financial statements" in the third annual improvement project to HKFRSs issued by the HKICPA in May 2010 (the "Third Improvement Project") confirms entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. This improvement has no impact to the Group.

- The improvement related to HKAS 27 "Consolidated and separate financial statements" in the Third Improvement Project clarifies that the consequential amendments from HKAS 27 made to HKAS 21, "the effect of changes in foreign exchange rates", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures" apply retrospectively for annual periods beginning on or after 1 July 2009, or earlier when HKAS 27 is applied earlier. This improvement has no impact to the Group.

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 2011 and adopted by the Group (Continued)

- The improvement related to HKAS 34 "Interim financial reporting" in the Third Improvement Project is an amendment which emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The improvement only results in additional disclosures.

- The improvement related to HKFRS 3 (Revised) "Business combinations" in the Third Improvement Project clarifies that:

  — entities should apply the rules in HKFRS 3 (Revised) (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3 (Revised).

  — only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

  — the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award.

  This improvement has no impact to the Group.

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 2011 and adopted by the Group (Continued)

- The improvement related to HKFRS 7 "Financial instruments: Disclosures" in the Third Improvement Project clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. This improvement has no impact to the Group.

- The amendment to HKAS 24 (Revised), "Related party disclosures", 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 revised standard was early adopted by the Group for the year ended 31 December 2010 and only impacts the disclosure information and does not have any significant impact on the Group's financial statements.

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 2011 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 2011, but are not currently relevant for the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Disclosure and Presentation — Classification of Rights Issues	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

The following improvements in the Third Improvement Project are effective in the financial year of 2011, but are not currently relevant for the Group:

HKFRS 1	First Time Adoption of Hong Kong Financial Reporting Standards
HK(IFRIC)-Int 13	Customer Loyalty Programmes

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31 December 2011 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 2011 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)		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
Not relevant to the Group's operations		
HKAS 12 (Amendment)	Income Taxes — Deferred tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31 December 2011 and have not been early adopted (Continued)

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

- Amendments to HKAS 1 "Presentation of Financial Statements" requires to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- HKAS 27 (Revised 2011) "Separate Financial Statements" includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10 "Consolidated Financial Statements".

- HKAS 28 (Revised 2011) "Investments in Associates and Joint Ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11 "Joint Arrangements".

- Amendments to HKFRS 7 "Financial Instruments: Disclosures" will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- HKFRS 9 "Financial Instruments" is the first standard issued as part of a wider project to replace HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory Effective Date and Transition Disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 "Financial Instruments: Recognition and Measurment" to HKFRS 9 "Financial Instruments" are required.

- HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31 December 2011 and have not been early adopted (Continued)

Note: (Continued)

- HKFRS 11 "Joint Arrangements" makes a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenues and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- HKFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The Group will adopt these New or Revised HKFRSs in accordance with their respective effective dates. The Group is assessing the impact of these New or Revised HKFRSs 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.

2.2 Consolidation

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

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(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 recognised amounts of acquiree's identifiable net assets.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. 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.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

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

(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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(b) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that 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.

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

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) *Jointly controlled entities* (Continued)

Impairment testing of the investments in jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the jointly controlled entities 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.

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

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(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".

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised 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 properties

Investment properties 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 30 to 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.

2. Summary of significant accounting policies (Continued)

2.5 Investment properties (Continued)

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 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.

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.

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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	25 to 50 years
— Storage infrastructure	20 to 25 years
— Loading machineries	8 to 25 years
— Other machineries	6 to 15 years
— Vessels	5 to 18 years
— Vehicles	5 to 10 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 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 non-financial assets

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

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 assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as accounts and other receivables, except for the amounts that are settled or expected to be settled more 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.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

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.

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 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. Summary of significant accounting policies (Continued)

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;
- 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

2. Summary of significant accounting policies (Continued)

2.11 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

- 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the 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 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.

2. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

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 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.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

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 and subsidies

Grants and subsidies 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 and subsidies 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 and subsidies 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. Summary of significant accounting policies (Continued)

2.24 Recognition of revenue and income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described, as described below. The Group bases its estimates of return 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 merchandise

Sales of building materials and other merchandise 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.

2. Summary of significant accounting policies (Continued)

2.24 Recognition of revenue and income (Continued)

(e) Interest income

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

(f) Rental income

Rental income on assets leased out under operating leases and rental income from investment properties 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

(a) The Group as leasee

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) by the Group are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group as leasor

Assets leased out under operating leases by the Group are included in the Group's 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 arsing 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. Summary of significant accounting policies (Continued)

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.

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, where appropriate.

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 2011 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 17, 19, 15, 20 and 24 respectively.

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

At 31 December 2011, 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 RMB2,917,000 (2010: RMB1,440,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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, cash and bank balances). 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 2011, approximately 26% (2010: 7%) 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 2011, 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 RMB1,733,000 (2010: RMB1,603,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

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 2011, 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 RMB6,503,000 (2010: RMB9,284,000), 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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

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 2011 and the total revenue for the year then ended.

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

In addition to the above financial assets, as at 31 December 2011, the Group also has made advances to suppliers of RMB129,140,000 (2010: RMB141,524,000) 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 merchandise.

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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

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.

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 2011				
Bank borrowings	167,670	32,247	104,686	246,092
Accounts and notes payable	645,989	—	—	—
Other payables and accruals	473,885	—	—	—
Derivative financial instrument	—	3,658	—	—
	1,287,544	35,905	104,686	246,092
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

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 2011				
Bank borrowings	7,398	7,590	24,220	46,832
Accounts payable	13,484	–	–	–
Other payables and accruals	205,227	–	–	–
Derivative financial instrument	–	3,658	–	–
	226,109	11,248	24,220	46,832
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

The Group's trading derivative instrument with a negative fair value has been included at its fair value of RMB3,658,000 (2010: RMB6,355,000) within the time bucket between 1 and 2 years (2010: 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.

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 2011, the Group's strategy, which was unchanged from 2010, was to maintain a low gearing ratio. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 RMB'000	2010 RMB'000
Total borrowings (Note 24)	**439,558**	392,228
Less: Cash and cash equivalents (Note 19)	**(926,176)**	(1,154,304)
Net cash	**(486,618)**	(762,076)
Total equity	**4,952,646**	4,867,146
Total capital	**4,466,028**	4,105,070
Gearing ratio (%)	**Not applicable**	Not applicable

As at 31 December 2011 and 2010, the Group was in a net cash position.

3. Financial risk management (Continued)

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).
- 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 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	65,031	–	–	65,031
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	–	(3,658)	–	(3,658)

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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 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).

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.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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.

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 RMB17,319,000, if favourable; or

4. Critical accounting estimates and assumptions (Continued)

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

— decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB21,168,000, 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 RMB19,320,000 (2010: RMB1,925,000), if unfavourable.

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 and 16)). 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 properties

	Group	
	2011 RMB'000	2010 RMB'000
Opening net book amount	49,453	32,902
Transfer from property, plant and equipment (Note 6)	15,376	17,464
Depreciation	(1,374)	(913)
Closing net book amount	63,455	49,453
Cost	70,584	52,970
Accumulated depreciation	(7,129)	(3,517)
Net book amount	63,455	49,453

During the year ended 31 December 2011, the Group transferred certain buildings from owner-occupied property, plant and equipment to investment properties with carrying amount of approximately RMB15,376,000 (2010: RMB17,464,000) upon the commencement of operating leases to other parties.

No independent valuation was carried out for the investment properties. The fair value of the Group's investment properties as at 31 December 2011 amounted to approximately RMB72,732,000 (2010: RMB58,113,000) as estimated by management by making reference to the current prices in the market for similar properties 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 2010										
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 properties (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
Year ended 31 December 2011										
Opening 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
Additions	8,065	2,919	264	14,617	5,028	–	19,727	13,953	285,805	350,378
Transfer	19,463	35,331	17,943	2,659	5,468	37,013	2,319	2,970	(123,166)	–
Transfer to investment properties (Note 5)	(15,376)	–	–	–	–	–	–	–	–	(15,376)
Disposals	(1,284)	(30)	(3)	(2,050)	(1,738)	(1,559)	(1,050)	(2,340)	–	(10,054)
Addition of impairment	–	–	–	–	(635)	–	–	–	–	(635)
Depreciation	(9,725)	(30,271)	(8,052)	(77,379)	(15,399)	(10,343)	(18,046)	(21,295)	–	(190,510)
Closing net book amount	180,049	1,025,115	198,004	1,088,300	68,499	254,640	78,188	27,110	310,860	3,230,765
At 31 December 2011										
Cost	274,584	1,331,446	285,081	1,744,782	207,866	380,496	206,713	167,696	314,030	4,912,694
Accumulated depreciation	(94,535)	(306,305)	(87,077)	(656,482)	(138,517)	(125,856)	(128,288)	(140,586)	–	(1,677,646)
Accumulated impairment losses	–	(26)	–	–	(850)	–	(237)	–	(3,170)	(4,283)
Net book amount	180,049	1,025,115	198,004	1,088,300	68,499	254,640	78,188	27,110	310,860	3,230,765

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 2010									
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
Year ended 31 December 2011									
Opening net book amount	11,831	649,178	37,348	507,501	13,343	13,362	8,869	103,576	1,345,008
Additions	876	–	–	–	660	820	1,218	123,978	127,552
Transfer	17,779	33,249	–	–	3,888	–	1,649	(56,565)	–
Disposal	(117)	–	–	–	(12)	–	(46)	–	(175)
Depreciation	(1,038)	(19,881)	(2,191)	(24,915)	(8,375)	(779)	(5,593)	–	(62,772)
Closing net book amount	29,331	662,546	35,157	482,586	9,504	13,403	6,097	170,989	1,409,613
At 31 December 2011									
Cost	36,452	829,994	58,177	658,048	56,689	17,742	32,214	174,159	1,863,475
Accumulated depreciation	(7,121)	(167,448)	(23,020)	(175,462)	(47,185)	(4,339)	(26,117)	–	(450,692)
Accumulated impairment losses	–	–	–	–	–	–	–	(3,170)	(3,170)
Net book amount	29,331	662,546	35,157	482,586	9,504	13,403	6,097	170,989	1,409,613

7. Land use rights

	Group RMB'000	Company RMB'000
At 1 January 2010		
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
Year ended 31 December 2011		
Opening net book amount	**1,010,928**	427,753
Addition	**7,387**	2,778
Amortisation	**(23,932)**	(9,925)
Closing net book amount	**994,383**	420,606
At 31 December 2011		
Cost	**1,181,700**	507,342
Accumulated amortisation	**(187,317)**	(86,736)
Net book amount	**994,383**	420,606

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.

As at 31 December 2011, a bank borrowing of RMB34,802,000 (2010: Nil) (Note 24(b)) was secured by land use right with carrying amount of RMB35,535,000 (2010: Nil).

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 2010			
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
Year ended 31 December 2011			
Opening net book amount	**50,099**	**4,158**	**54,257**
Additions	**—**	**6,139**	**6,139**
Disposals	**—**	**(15)**	**(15)**
Amortisation	**(1,211)**	**(3,537)**	**(4,748)**
Closing net book amount	**48,888**	**6,745**	**55,633**
At 31 December 2011			
Cost	**59,494**	**22,061**	**81,555**
Accumulated amortisation	**(10,606)**	**(15,316)**	**(25,922)**
Net book amount	**48,888**	**6,745**	**55,633**

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 2010		
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
Year ended 31 December 2011		
Opening net book amount	**59**	**59**
Additions	**4,692**	**4,692**
Amortisation	**(833)**	**(833)**
Closing net book amount	**3,918**	**3,918**
At 31 December 2011		
Cost	**4,768**	**4,768**
Accumulated amortisation	**(850)**	**(850)**
Net book amount	**3,918**	**3,918**

9. Investments in subsidiaries

	Company	
	2011	2010
	RMB'000	RMB'000
Investments, at cost		
— Shares of a listed company (a)	**1,127,274**	1,127,274
— Unlisted equity investments	**275,359**	275,359
	1,402,633	1,402,633
Market value of shares of a listed company (b)	**1,536,759**	2,104,628

(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 was expired on 17 October 2011.

(b) The market value of the above A-Shares held by the Company is determined by reference to the market price of RMB5.25 per share (2010: RMB7.19 per share) for the listed shares of XPD as at 31 December 2011.

Particulars of the Company's subsidiaries are set out in Note 41(a).

10. Investments in jointly controlled entities

(a) Group

As at 31 December 2011, the Group's investment costs in the jointly controlled entities, which are unlisted, amounted to RMB932,390,000 (2010: RMB934,890,000).

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:

	2011 RMB'000	2010 RMB'000
Assets:		
Non-current assets	1,183,370	1,145,824
Current assets	144,125	153,305
	1,327,495	1,299,129
Liabilities:		
Non-current liabilities	(209,409)	(194,872)
Current liabilities	(87,034)	(72,780)
	(296,443)	(267,652)
Net assets	1,031,052	1,031,477

	2011 RMB'000	2010 RMB'000
Revenues	171,666	187,010
Expenses	(120,692)	(112,735)
Profit before income tax expense	50,974	74,275
Income tax expense	(10,071)	(5,123)
Profit for the year	40,903	69,152

10. Investments in jointly controlled entities (Continued)

(a) Group (Continued)

During the year of 2011, the Group disposed of one of the jointly controlled entities, Xiamen Gangtong Logistics Co. Ltd. for a consideration of RMB2,500,000.

As at 31 December 2011, the Group had interests in five jointly controlled entities namely, XICT, 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, XHICT, XPYCH, XPC and XPBL are 51%, 51%, 60%, 51% and 35% respectively as at 31 December 2011.

As at 31 December 2011, there are no significant contingent liabilities relating to the Group's interests in the jointly controlled entities and no significant contingent liabilities of the jointly controlled entities themselves (2010: Nil).

Particulars of the Group's jointly controlled entities are set out in Note 41(b).

(b) Company

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**286,628**	286,628

11. Interests in associates

	Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**35,766**	34,954
Unlisted investments, at cost	**23,030**	23,270

Movement in interests in associates is set out as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**34,954**	34,659
Dividends received	**(1,393)**	(1,086)
Disposal of an associate	**(607)**	–
Share of results before income tax expense	**3,412**	1,806
Share of income tax expense	**(600)**	(425)
	2,812	1,381
At 31 December	**35,766**	34,954

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

	Group	
	2011	2010
	RMB'000	RMB'000
Total assets	**42,435**	41,373
Total liabilities	**6,669**	6,419

11. Interests in associates (Continued)

	Group	
	2011 RMB'000	2010 RMB'000
Revenues	22,303	15,251
Profit for the year	2,812	1,381

Particulars of the Group's associates are set out in Note 41(c).

12. Available-for-sale financial assets

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	97,365	155,512	92,839	150,986
Addition	—	2,295	—	2,295
Disposals	(1,746)	—	(1,676)	—
Net fair value losses transfer to equity	(26,132)	(60,442)	(26,132)	(60,442)
At 31 December	69,487	97,365	65,031	92,839

Available-for-sale financial assets include the following:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Equity investments listed in the PRC, at fair value (a)	65,031	92,839	65,031	92,839
Unlisted equity investments, at cost (b)	9,456	9,526	5,000	5,000
Less: provision for impairment (b)	(5,000)	(5,000)	(5,000)	(5,000)
	69,487	97,365	65,031	92,839

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

(a) The Group holds 6,436,350 (2010: 6,600,000) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") and 4,301,000 (2010: 3,910,000) 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 quoted 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 RMB18,134,000 (2010: RMB18,385,000).

(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 2011 and 2010, 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deferred income tax assets				
At 1 January	52,707	52,473	1,419	1,532
(Charged)/credited to consolidated income statement (Note 32)	(781)	234	(337)	(113)
At 31 December	51,926	52,707	1,082	1,419
To be recovered:				
Within 12 months	1,627	1,562	–	–
After more than 12 months	50,299	51,145	1,082	1,419
	51,926	52,707	1,082	1,419
Deferred income tax liabilities				
At 1 January	22,080	37,643	18,614	33,724
Credited to:				
– consolidated income statement (Note 32)	(364)	(453)	–	–
– other comprehensive income (Note 26)	(6,889)	(15,110)	(6,889)	(15,110)
At 31 December	14,827	22,080	11,725	18,614
To be settled:				
Within 12 months	379	364	–	–
After more than 12 months	14,448	21,716	11,725	18,614
	14,827	22,080	11,725	18,614

13. Deferred income tax (Continued)

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deferred income tax assets				
Revaluation surplus in connection with asset swap with XPD (a)	27,703	28,879	—	—
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity (b)	10,362	10,646	—	—
Unrealised gain on contribution of land use right to a jointly controlled entity (c)	1,644	1,682	—	—
Fair value loss on derivative financial instrument	457	794	457	794
Government grant to property, plant and equipment	1,150	—	—	—
Provisions for impairment of				
— receivables	8,691	9,467	—	—
— available-for-sale financial assets	625	625	625	625
— inventories	1,015	499	—	—
— property, plant and equipment	279	115	—	—
	51,926	52,707	1,082	1,419

(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.

13. Deferred income tax (Continued)

(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.

(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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deferred income tax liabilities				
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd.	3,102	3,466	–	–
Fair value gain on available-for-sale financial assets	11,725	18,614	11,725	18,614
	14,827	22,080	11,725	18,614

14. Inventories

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Raw materials	4,068	4,309	—	—
Finished goods and merchandise	220,095	117,148	—	—
Spare parts and consumables	41,172	39,935	983	1,243
	265,335	161,392	983	1,243
Less: provision for impairment	(4,061)	(2,078)	—	—
	261,274	159,314	983	1,243

The raw materials primarily comprise fuel and oil. Finished goods and merchandise primarily represent building materials and the merchandise for the Group's business of building materials and trading of merchandise. 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 RMB1,486,390,000 (2010: RMB805,901,000) (Note 30).

15. Accounts and notes receivable

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Accounts receivable	616,020	572,603	32,042	35,052
Less: provision for impairment	(24,278)	(31,318)	(302)	(302)
	591,742	541,285	31,740	34,750
Due from subsidiaries	—	—	22,379	21,102
Due from fellow subsidiaries (Note 40(b))	1,166	1,666	—	—
Due from other related parties (Note 40(b))	9,739	13,538	—	—
Notes receivable	45,319	25,190	—	—
	647,966	581,679	54,119	55,852

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

15. Accounts and notes receivable (Continued)

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Less than 6 months	579,971	512,113	54,363	56,124
6 months to 1 year	42,829	40,328	36	8
1 year to 2 years	28,007	21,029	—	8
2 years to 3 years	2,915	22,576	8	14
Over 3 years	18,522	16,951	14	—
	672,244	612,997	54,421	56,154
Less: provision for impairment	(24,278)	(31,318)	(302)	(302)
	647,966	581,679	54,119	55,852

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 2011, the Group's trade receivables of RMB528,109,000 (2010: RMB483,201,000) were fully performing.

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2011, the Group's accounts receivable of RMB34,065,000 (2010: RMB39,147,000) were past due but not impaired.

15. Accounts and notes receivable (Continued)

The Group obtained certain property, plant and equipment and land use rights as collateral against accounts receivable of RMB3,784,000 (2010: RMB17,217,000) as at 31 December 2011 which were aged over 3 years. The provision amounted to RMB2,588,000 (2010: RMB8,600,000) for the receivable after considering the value of the collateral assets obtained and the debtors' financial position. 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	
	2011 RMB'000	2010 RMB'000
Less than 6 months	6,543	3,722
6 months to 1 year	8,764	1,181
1 year to 2 years	28,007	21,029
2 years to 3 years	2,915	22,576
Over 3 years	18,522	16,951
	64,751	65,459

As at 31 December 2011, no significant accounts receivable of the Company are either past due or impaired.

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	592,778	510,047	54,119	55,852
USD	55,188	71,632	—	—
	647,966	581,679	54,119	55,852

15. Accounts and notes receivable (Continued)

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	31,318	25,425	302	302
(Reversal of)/provision for impairment	(6,324)	5,901	–	–
Uncollectible receivables written off during the year	(716)	(8)	–	–
At 31 December	24,278	31,318	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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Other receivables	56,641	59,018	2,563	6,043
Advances to suppliers	129,140	141,524	3,268	—
Less: provision for impairment	(9,309)	(18,449)	—	—
	176,472	182,093	5,831	6,043
Due from parent company (Note 40(b))	370	415	—	—
Due from subsidiaries (a)	—	—	96,778	55,933
Due from fellow subsidiaries (Note 40(b))	1,695	6,008	—	—
Due from associates (b) (Note 40(b))	4,542	6,013	—	—
Prepayments and deposits	536	469	—	—
Interest receivable	664	1,035	—	727
Dividends receivable	—	—	89,345	80,313
	184,279	196,033	191,954	143,016

(a) The balance as at 31 December 2011 mainly represents an entrusted loan granted by the Company to XPD with a principal amount of RMB70,000,000 (2010: RMB40,000,000) at a weighted average interest rate of 5.77% (2010: 4.48%) per annum. The loan will be matured in 2012.

(b) As at 31 December 2011, the receivables from associates bear interest rates ranging from 5.40% to 5.81% (2010: from 5.31% to 5.40%) per annum, which will be matured in 2012.

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 2011, none of the Company's receivable balances as mentioned above is either past due or impaired.

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Less than 6 months	160,591	158,778	191,738	142,810
6 months to 1 year	6,702	12,458	–	–
1 year to 2 years	10,471	8,417	11	2
2 years to 3 years	734	12,166	1	204
Over 3 years	15,090	22,663	204	–
	193,588	214,482	191,954	143,016
Less: provision for impairment	(9,309)	(18,449)	–	–
	184,279	196,033	191,954	143,016

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

	Group	
	2011 RMB'000	2010 RMB'000
At 1 January	18,449	19,014
Reversal of impairment	(5,501)	(565)
Uncollectible receivables written off during the year	(3,639)	–
At 31 December	9,309	18,449

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 2011 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 the advances (the "Advance") to a supplier of RMB7,601,000 (2010: RMB10,837,000) as at 31 December 2011. Provisions amounted to RMB3,000,000 (2010: RMB3,480,000) for the Advance. A receivable of RMB15,105,000 secured by the land use right as at 31 December 2010 was settled during the year of 2011, and related provision of impairment of RMB8,043,000 was reversed and written off by RMB4,408,000 and RMB3,635,000 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	
	2011 RMB'000	2010 RMB'000
Term deposits denominated in:		
RMB	**53,194**	45,111
USD	**18,903**	39,736
	72,097	84,847

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.75% (2010: 3.52%) 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

The restricted cash was held in designated bank accounts as for the maintenance of staff quarters and as guarantee deposits for notes payable, letters of credit and letters of guarantee.

18. Restricted cash (Continued)

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.

19. Cash and cash equivalents

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	765,548	773,321	227,046	229,941
Short-term bank deposits	232,725	465,830	64,000	249,000
	998,273	1,239,151	291,046	478,941
Less: term deposits with initial term of over three months (Note 17)	(72,097)	(84,847)	–	–
Cash and cash equivalents	926,176	1,154,304	291,046	478,941
Maximum exposure to credit risk (net of cash in hand)	925,941	1,154,212	291,032	478,934
Denominated in:				
RMB	854,730	1,055,869	291,040	478,934
USD	69,983	82,838	4	5
HKD	288	15,597	2	2
EUR	1,175	–	–	–
	926,176	1,154,304	291,046	478,941

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 days to 90 days, was 2.23% (2010: 1.67%) 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Accounts payable	449,614	460,223	2,092	4,178
Due to parent company (Note 40(b))	16,713	–	7,306	–
Due to subsidiaries	–	–	2,092	–
Due to fellow subsidiaries (Note 40(b))	10,453	5,981	1,994	2,237
Notes payable	169,209	214,161	–	–
	645,989	680,365	13,484	6,415

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 1 year	643,653	677,805	13,004	6,230
1 year to 2 years	1,501	2,250	480	185
2 years to 3 years	573	285	–	–
Over 3 years	262	25	–	–
	645,989	680,365	13,484	6,415

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.

20. Accounts and notes payable (Continued)

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	511,986	513,492	13,484	6,415
USD	133,999	166,749	—	—
EUR	4	124	—	—
	645,989	680,365	13,484	6,415

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

21. Other payables and accruals

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Due to parent company (Note 40(b))	4,942	6,161	2,082	—
Due to subsidiaries	—	—	47,686	57,609
Due to fellow subsidiaries (Note 40(b))	8,066	20,035	1,138	—
Due to other related parties (Note 40(b))	19,903	41,371	13,859	27,063
Payables for purchases of property, plant and equipment and construction-in-progress	102,468	51,966	81,677	30,950
Salary and welfare payables	134,700	119,747	4,935	4,568
Customer deposits	109,376	105,707	2,162	4,980
Accrued expenses	14,348	9,623	4,835	2,653
Dividends payable to				
— shareholders of the Company	3,020	3,020	3,020	3,020
— non-controlling shareholders of subsidiaries (Note 40(b))	6,983	19,879	—	—
Other payables	70,079	124,080	43,833	79,555
	473,885	501,589	205,227	210,398

21. Other payables and accruals (Continued)

As at 31 December 2011, 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	
	2011	2010
	RMB'000	RMB'000
	Liabilities	Liabilities
Interest rate swap contract	3,658	6,355

As at 31 December 2011 and 2010, 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 2011 amounted to USD10,289,000 (2010: USD10,867,000), equivalent to approximately RMB64,831,000 (2010: RMB71,970,000).

The derivative financial instrument does not qualify for hedge accounting.

23. Deferred government grants and income

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	27,062	30,149	–	–
Government grants on purchases of property, plant and equipment (b)	88,670	91,032	70,955	72,918
	115,732	121,181	70,955	72,918

(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.

(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 and land use right, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

24. Borrowings

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Non-current				
Long-term bank borrowings	291,266	287,742	60,804	68,141
Current				
Short-term bank borrowings	139,705	96,097	–	–
Long-term bank borrowings – current portion	8,587	8,389	4,027	3,829
	148,292	104,486	4,027	3,829
Total borrowings	439,558	392,228	64,831	71,970
Representing:				
– guaranteed (a)	64,831	71,970	64,831	71,970
– secured (b)	58,833	26,298	–	–
– unguaranteed and unsecured	315,894	293,960	–	–
Total borrowings	439,558	392,228	64,831	71,970
Analysed as follows:				
– wholly repayable within five years	174,507	96,097	–	–
– not wholly repayable within five years	265,051	296,131	64,831	71,970
Total borrowings	439,558	392,228	64,831	71,970

(a) As at 31 December 2011, a bank borrowing of RMB64,831,000 (2010: RMB71,970,000) is guaranteed by a state-owned bank.

(b) As at 31 December 2011, a bank borrowing of RMB24,031,000 is secured by letters of credit (2010: RMB26,298,000) and a bank borrowing of RMB34,802,000 (2010: Nil) is secured by land use right (Note 7).

24. Borrowings (Continued)

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank borrowings repayable:				
— within 1 year	**148,292**	104,486	**4,027**	3,829
— between 1 and 2 years	**14,988**	8,793	**4,428**	4,233
— between 2 and 5 years	**58,695**	29,125	**16,213**	15,445
— over 5 years	**217,583**	249,824	**40,163**	48,463
	439,558	392,228	**64,831**	71,970

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	**369,686**	320,258	**—**	—
USD	**69,872**	71,970	**64,831**	71,970
Total borrowings	**439,558**	392,228	**64,831**	71,970

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

	Group		Company	
	2011	2010	2011	2010
Bank borrowings				
— RMB	**6.32%**	5.12%	**—**	—
— USD	**5.16%**	5.20%	**5.20%**	5.20%

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.

24. Borrowings (Continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**291,266**	287,742	**60,804**	68,141
Fair values	**278,472**	271,352	**56,019**	64,404

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 2011 and 2010	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 2011, there was no movement in the share capital of the Company (2010: Nil).

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 2010		(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 dividends		–	–	–	–	(136,310)	(136,310)
2010 interim dividends		–	–	–	–	(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 dividends		–	–	–	–	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
Fair value losses on available-for-sale financial assets		–	–	(20,668)	(20,668)	–	(20,668)
– Gross		–	–	(27,557)	(27,557)	–	(27,557)
– Related deferred income tax		–	–	6,889	6,889	–	6,889
Profit for the year		–	–	–	–	284,337	284,337
2010 final dividends		–	–	–	–	(245,358)	(245,358)
Profit appropriation	(i)	–	20,454	–	20,454	(20,454)	–
Balance at 31 December 2011		(459,530)	149,817	35,172	(274,541)	1,472,839	1,198,298
Representing:							
– 2011 proposed final dividends		–	–	–	–	81,786	81,786
– Others		(459,530)	149,817	35,172	(274,541)	1,391,053	1,116,512
		(459,530)	149,817	35,172	(274,541)	1,472,839	1,198,298

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.

26. Reserves (Continued)

(b) Company

	Note	Other reserves					
		Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010		(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 dividends		–	–	–	–	(136,310)	(136,310)
2010 interim dividends		–	–	–	–	(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 dividends		–	–	–	–	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
Fair value losses on available-for-sale financial assets		–	–	(20,668)	(20,668)	–	(20,668)
– Gross		–	–	(27,557)	(27,557)	–	(27,557)
– Related deferred income tax		–	–	6,889	6,889	–	6,889
Profit for the year	33	–	–	–	–	182,278	182,278
2010 final dividends		–	–	–	–	(245,358)	(245,358)
Profit appropriation	26(a)(i)	–	20,454	–	20,454	(20,454)	–
Balance at 31 December 2011		(61,484)	149,817	35,172	123,505	915,268	1,038,773
Representing:							
– 2011 proposed final dividends		–	–	–	–	81,786	81,786
– Others		(61,484)	149,817	35,172	123,505	833,482	956,987
		(61,484)	149,817	35,172	123,505	915,268	1,038,773

27. Revenues and segment information

(a) Revenues and other income

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

	2011 RMB'000	2010 RMB'000
Revenues	3,069,703	2,241,717
Other income		
Government subsidies (i)	33,005	8,713
Dividend income	987	1,193
Rental income	25,733	20,856
Others	3,989	5,789
	63,714	36,551
Total	3,133,417	2,278,268

(i) Pursuant to Thematic Meeting Minutes by the Xiamen Port Authority and the Xiamen Port Group Work Leading Group on the Promotion of the Container Growth ([2011] No.5), as at 31 December 2011 XPD is entitled to government subsidy of RMB14,532,000 from Xiamen Port Authority as a result of government's initiative to enhance the throughput of domestic trade container. As at 31 December 2011, the above subsidy has not been received. The remaining government subsidies recorded in 2011 represented miscellaneous subsidies received from relevant authorities in 2011.

27. Revenues and segment information (Continued)

(b) Segment information

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

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 business of merchandise. 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.

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2011 and 2010 are as follows:

	For the year ended 31 December 2011					
	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 business of merchandise RMB'000	Total RMB'000
Total segment revenues	801,004	201,618	771,457	358,167	1,041,431	3,173,677
Inter-segment revenues	—	—	(103,974)	—	—	(103,974)
Revenues	801,004	201,618	667,483	358,167	1,041,431	3,069,703
Operating profit	213,174	32,099	174,890	3,954	25,428	449,545
Finance income						21,972
Finance costs						(24,041)
						447,476
Share of profits less losses of associates	—	—	1,716	1,096	—	2,812
Profit before income tax expense						450,288
Income tax expense						(62,287)
Profit for the year						388,001
Other information						
Depreciation	109,064	25,792	47,792	8,788	448	191,884
Amortisation	17,287	4,444	6,886	45	18	28,680
Net provision for/(reversal of) impairment of						
— inventories	—	100	186	(290)	1,987	1,983
— receivables and advances to suppliers	—	1,391	(311)	(2,293)	(10,612)	(11,825)
— property, plant and equipment	—	—	—	635	—	635

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2011 and 2010 are as follows (Continued):

	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 business of merchandise 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 profits less losses 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
Net 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 as at 31 December 2011 and 31 December 2010 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 business of merchandise RMB'000	Total RMB'000
As at 31 December 2011						
Segment assets	3,560,717	452,900	1,739,517	280,307	516,953	6,550,394
Include:						
Interests in associates	–	–	33,745	2,021	–	35,766
Additions to non-current assets	167,815	18,432	174,822	933	1,902	363,904
Segment liabilities	375,064	31,768	526,125	160,385	144,226	1,237,568
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

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.

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

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.

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

	2011 RMB'000	2010 RMB'000
Total segment assets	6,550,394	6,459,335
Add: Deferred income tax assets	51,926	52,707
Available-for-sale financial assets	69,487	97,365
Total assets per consolidated balance sheet	6,671,807	6,609,407

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

	2011 RMB'000	2010 RMB'000
Total segment liabilities	1,237,568	1,305,463
Add: Deferred income tax liabilities	14,827	22,080
Taxes payable	23,550	16,135
Derivative financial instrument	3,658	6,355
Borrowings	439,558	392,228
Total liabilities per consolidated balance sheet	1,719,161	1,742,261

28. Other gains — net

	2011 RMB'000	2010 RMB'000
Fair value gain on derivative financial instrument	2,697	903
Exchange gain not related to borrowings and cash and cash equivalents	1,590	405
Loss on disposal of available-for-sale financial assets	(251)	—
(Loss)/gain on disposal of property, plant and equipment (a)	(997)	29,886
Gain from the capital contribution to a jointly controlled entity (b)	—	13,524
	3,039	44,718

(a) The gain on disposal of property, plant and equipment in 2010 mainly represented the realised portion of the gain from the disposal of certain property, plant and equipment to XHICT, a jointly controlled entity in which the Company has 51% interests.

(b) The gain in 2010 represented realised portion of the gain from capital contribution by the Company in the form of cash and certain property, plant and equipment to XHICT.

29. Employee benefit expenses

	2011 RMB'000	2010 RMB'000
Salaries, wages and bonuses	**396,570**	329,767
Welfare, medical and other expenses	**67,579**	64,439
Contributions to pension plans	**71,286**	67,509
Contributions to supplementary pension scheme	**5,514**	5,454
	540,949	467,169

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 16.7% to 37.8% (2010: 12.8% to 37.8%) 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

	2011 RMB'000	2010 RMB'000
Cost of inventories sold/consumed (Note 14)	1,486,390	805,901
Employee benefit expenses (Note 29)	540,949	467,169
Depreciation of		
— investment properties (Note 5)	1,374	913
— property, plant and equipment (Note 6)	190,510	179,529
Distribution, transportation and labour outsourcing	139,628	118,413
Business tax, stamp duty and real estate tax	100,218	79,454
Advertising and marketing expenses	26,952	24,251
Amortisation of		
— land use rights (Note 7)	23,932	23,647
— intangible assets (Note 8)	4,748	3,716
Operating lease rental in respect of property, plant and equipment	80,275	61,296
General office expenses	21,569	20,623
Repairs and maintenance	35,759	29,762
Insurance expenses	12,498	11,842
Auditors' remuneration	3,655	3,317
Net provision/(reversal of provision) for impairment of		
— inventories	1,983	2,498
— receivables and advances to suppliers	(11,825)	5,336
— property, plant and equipment	635	—
Others	27,661	25,591
Total cost of sales, selling and marketing expenses and general and administrative expenses	2,686,911	1,863,258

31. Finance income and costs

	2011 RMB'000	2010 RMB'000
Interest income	18,056	10,978
Net foreign exchange gain	3,916	2,501
	21,972	13,479
Interests on bank borrowings	(26,344)	(18,027)
Less: amounts capitalised	2,303	2,088
	(24,041)	(15,939)
Finance costs — net	(2,069)	(2,460)

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 2011 was 6.61% (2010: 5.31%) 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 2011 (2010: Nil).

The Corporate Income Tax Law of the PRC (the "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 CIT Law, all of the Company's subsidiaries other than China Ocean Shipping Agency Xiamen Co., Ltd. ("Agency") and jointly controlled entities other than 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 2011, the applicable tax rate for the Entities is 24%.

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 fifth year which the Company could enjoy the corporate income tax exemption. Therefore the Company has not made any provision for corporate income tax for the year ended 31 December 2011 (2010: Nil).

Agency was originally subject to income tax rate of 22% in 2010 and 24% in 2011. However, Agency obtained the certificate of qualifying as "advanced technology company" during its 2010 tax filing in 2011 and is subject to 15% corporate income tax rate for 4 years from 2010 to 2013.

XHICT is entitled to a three-year exemption from income tax followed by a 50% reduction in income tax for subsequent three years, commencing from 2008. The current year is the first year which XHICT could enjoy 50% reduction in corporate income tax. Accordingly, the effective EIT rate for XHICT is 12.5% for 2011 (2010: Nil).

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

	2011 RMB'000	2010 RMB'000
PRC corporate income tax	61,870	53,215
Deferred income tax charge/(credit) (Note 13)	417	(687)
	62,287	52,528

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:

	2011 RMB'000	2010 RMB'000
Profit before income tax expense	450,288	458,649
Less: share of profits less losses of associates	(2,812)	(1,381)
	447,476	457,268
Tax calculated at the applicable tax rate of 24% (2010: 22%)	107,394	100,599
Effect of preferential tax rate of:		
— the Company	(35,828)	(43,868)
— Agency	(8,326)	—
— XICT	—	(4,821)
— XHICT	(1,997)	(6,848)
Tax losses that no deferred tax assets recognised	—	4,361
Income not subject to income tax	(50)	(262)
Expenses not deductible for income tax purposes	2,039	2,625
Others	(945)	742
Income tax expense	62,287	52,528

(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 5% or 7% of BT payable, and educational surcharge ("ES") based on 5% of BT payable.

32. Taxation (Continued)

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

Certain subsidiaries of the Company are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of products can be used to offset the output VAT to determine the net VAT payable. In addition, some of other subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. All subsidiaries subject to VAT are also subject to CCT based on 7% of net VAT payable, and ES based on 5% of net VAT payable.

33. Profit attributable to owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2011 are dealt with in the financial statements of the Company to the extent of RMB182,278,000 (2010: RMB361,564,000).

34. Dividends

	2011 RMB'000	2010 RMB'000
Proposed final dividends		
— Domestic share	**52,185**	156,555
— H-share	**29,601**	88,803
	81,786	245,358

At a meeting held on 27 March 2012, the directors of the Company proposed a final dividend of RMB3 cents per share (tax inclusive) for the year ended 31 December 2011. 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 8 June 2012, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

35. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year ended 31 December 2011 of RMB284,337,000 (2010: RMB325,814,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2010: 2,726,200,000) shares.

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

36. Emoluments of directors and supervisors

	2011 RMB'000	2010 RMB'000
Directors and supervisors		
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,938	3,085
Contributions to pension plans	353	298
Discretionary bonuses	2,492	2,178
	5,783	5,561

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

36. Emoluments of directors and supervisors (Continued)

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

Year ended 31 December 2011

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
Executive Directors:				
Lin Kaibiao	233	38	306	577
Miao Luping	214	38	275	527
Fang Yao	289	45	300	634
Huang Zirong	264	43	264	571
Hong Lijuan	263	43	264	570
Non-executive Directors:				
Zheng Yongen	128	7	56	191
Chen Dingyu	124	7	50	181
Fu Chengjing	94	—	—	94
Ke Dong	285	48	384	717
Independent Non-executive Directors:				
Liu Feng (**)	79	—	—	79
Huang Shizhong (***)	15	—	—	15
Zhen Hong	94	—	—	94
Hui Wang Chuen	200	—	—	200
Supervisors:				
Yan Tengyun (**)	50	—	—	50
Fang Zuhui (***)	9	—	—	9
Luo Jianzhong	59	—	—	59
Wu Jianliang	190	40	271	501
Wu Weijian	230	44	282	556
Tang Jinmu	59	—	—	59
Xiao Zuoping (**)	50	—	—	50
He Shaoping (***)	9	—	—	9
	2,938	353	2,452	5,743

* Directors and supervisors are listed by their positions as at 31 December 2011 except for those with specific notes.

** Appointed on 28 February 2011.

*** Resigned on 28 February 2011.

36. Emoluments of directors and supervisors (Continued)

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
Executive Directors:				
Zheng Yongen	345	39	339	723
Chen Dingyu	307	39	303	649
Fang Yao	316	39	303	658
Huang Zirong	280	37	267	584
Hong Lijuan	283	37	267	587
Non-executive Directors:				
Fu Chengjing	88	–	–	88
Miao Luping	88	–	–	88
Lin Kaibiao	88	–	–	88
Ke Dong	291	40	288	619
Independent Non-executive Directors:				
Huang Shizhong	88	–	–	88
Zhen Hong	88	–	–	88
Hui Wang Chuen	198	–	–	198
Supervisors:				
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

* Directors and supervisors are listed by their positions as at 31 December 2010.

36. Emoluments of directors and supervisors (Continued)

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.

The five individuals whose emoluments were the highest in the Group for the year include three (2010: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: nil) individuals (the "Individuals") during the year are as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	445	–
Contributions to pension plans	79	–
Discretionary bonuses	839	–
	1,363	–

The emoluments of the Individuals fall within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
Nil to HK$1,000,000 (equivalent to RMB810,700)	2	–

37. Notes to consolidated statement of cash flows

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

	2011 RMB'000	2010 RMB'000
Profit before income tax expense	450,288	458,649
Adjustments for:		
— Share of profits less losses of associates	(2,812)	(1,381)
— Depreciation of property, plant and equipment	190,510	179,529
— Depreciation of investment properties	1,374	913
— Amortisation of land use rights	23,932	23,647
— Amortisation of intangible assets	4,748	3,716
— Gain from capital contribution to a jointly controlled entity	—	(13,524)
— Loss/(gain) on disposal of property, plant and equipment	997	(29,886)
— Loss on disposal of available-for-sale financial assets	251	—
— Fair value gain on derivative financial instrument	(2,697)	(903)
— Provision for impairment of property, plant and equipment	635	—
— Provision for impairment of inventories	1,983	2,498
— (Reversal of provision)/provision for impairment of receivables and advances to suppliers, net	(11,825)	5,336
— Dividend income	(987)	(1,193)
— Interest income	(18,056)	(10,978)
— Interest expenses	24,041	15,939
— Unrealised foreign exchange losses	277	879
	662,659	633,241
Changes in working capital:		
— Accounts and notes receivable	(59,963)	3,549
— Other receivables and prepayments	16,884	100,642
— Inventories	(103,943)	(25,095)
— Accounts and notes payable	(34,376)	(20,706)
— Other payables and accruals	(70,925)	15,090
— Restricted cash	(41,996)	4,965
Net cash generated from operations	368,340	711,686

37. Notes to consolidated statement of cash flows (Continued)

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

No non-cash transactions for the year ended 31 December 2011.

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	
	2011	2010
	RMB'000	RMB'000
Purchases of property, plant and equipment		
— the Group	**101,392**	105,474
— jointly controlled entities	**40,769**	7,714
	142,161	113,188

38. Commitments (Continued)

(a) Capital commitments (Continued)

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

	Company	
	2011 **RMB'000**	2010 RMB'000
Purchases of property, plant and equipment	**53,324**	91,669

Committed capital expenditure as at 31 December 2011 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.

(b) Operating lease commitments

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

	Group	
	2011 **RMB'000**	2010 RMB'000
Not later than 1 year	**27,797**	16,596
Later than 1 year and not later than 5 years	**3,180**	11,748
	30,977	28,344

The Company has no operating lease commitment as at 31 December 2011 (2010: Nil).

39. Contingent liabilities

As at 31 December 2011, the Group and the Company have no significant contingent liabilities (2010: 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 2011 and balances arising from these significant related party transactions.

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

	Note	2011 RMB'000	2010 RMB'000
Transactions with parent company			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	51,798	32,141
Transactions with fellow subsidiaries			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	800	4,834
Comprehensive service fee	(ii)	25,578	22,910
Labour service fee	(iii)	26,573	23,424
Others			
Purchases of property, plant and equipment	(iv)	13,726	13,156
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(v)	72,952	66,482

40. Significant related party transactions (Continued)

(a) (Continued)

(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.

40. Significant related party transactions (Continued)

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

	Note	2011 RMB'000	2010 RMB'000
Balances with parent company			
Other receivables and prepayments	(i)	**370**	415
Accounts payable	(i)	**16,713**	—
Other payables and accruals	(i)	**4,942**	6,161
Balances with fellow subsidiaries			
Accounts receivable	(i)	**1,166**	1,666
Other receivables and prepayments	(i)	**1,695**	6,008
Accounts payable	(i)	**10,453**	5,981
Other payables and accruals	(i)	**8,066**	20,035
Balances with associates			
Other receivables and prepayments	(ii)	**4,542**	6,013
Balances with non-controlling shareholders of subsidiaries			
Dividends payable	(i)	**6,983**	19,879
Balances with other related parties			
Accounts receivable	(iii)	**9,739**	13,538
Other payables and accruals	(iv)	**19,903**	41,371

(i) As of 31 December 2011, 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) As of 31 December 2011, the receivables from associates bear interest rates ranging from 5.40% to 5.81% per annum, which will be matured in 2012 (Note 16(b)).

(iii) As of 31 December 2011, 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) As of 31 December 2011, the balance referred to port construction fee collected on behalf of Xiamen Port Authority and the balance is unsecured, interest free and has no fixed terms of repayment.

(c) Key management compensation:

	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,938**	3,085
Contributions to pension plans	**353**	298
Discretionary bonuses	**2,492**	2,178
	5,783	5,561

41. Particulars of subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2011, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/ paid-in capital 2011 (RMB'000)	Issued share/ paid-in capital 2010 (RMB'000)	Attributable equity interests 2011 Directly held	Attributable equity interests 2011 Indirectly held	Attributable equity interests 2010 Directly held	Attributable equity interests 2010 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
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 Port Group Haitian Container Co., Ltd.	Limited liability company	200,000	200,000	85%	8.29%	85%	8.29%	Container loading and unloading for international trade
Xiamen Port Domestic Shipping Agent Co., Ltd.#	Limited liability company	2,000	2,000	–	44.10%	–	44.10%	Shipping agency services for domestic trade

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2011 (RMB'000)	Issued share/ paid-in capital 2010 (RMB'000)	Attributable equity interests 2011 Directly held	Attributable equity interests 2011 Indirectly held	Attributable equity interests 2010 Directly held	Attributable equity interests 2010 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	10,000	10,000	80%	18.66%	80%	18.66%	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	20,000	20,000	–	52.37%	–	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.#	Limited liability company	6,000	6,000	–	33.08%	–	33.08%	Agency services for import and export of products/ technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd.#	Limited liability 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

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2011 (RMB'000)	2010 (RMB'000)	Attributable equity interests 2011 Directly held	2011 Indirectly held	2010 Directly held	2010 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port Transportation Co., Ltd.	Limited liability company	65,000	40,000	–	55.17%	–	55.13%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	85,000	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
Xiamen Port Haicang Container Inspection Services Co., Ltd.	Limited liability company	1,000	1,000	–	69.97%	–	69.97%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Lugang Logistics Limited Company* #	Limited liability company	10,000	–	–	44.10%	–	–	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Ji'an Lugang Logistics Co., Ltd.*	Limited liability company	10,000	–	–	55.13%	–	–	Freight forwarding and agency business, warehousing services and logistics information services

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 during the year ended 31 December 2011.

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

(b) Jointly controlled entities

As at 31 December 2011, the Group had interests in the following jointly controlled entities:

Name	Paid-in capital 2011 (RMB'000)	Paid-in capital 2010 (RMB'000)	Proportion of ownership held by the Group and profit sharing 2011	Proportion of ownership held by the Group and profit sharing 2010	Proportion of voting rights held by the Group 2011	Proportion of voting rights held by the Group 2010	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	–	50%	–	60%	Container storage and land transportation
Xiamen Haicang International Container Terminals Ltd.	555,515	555,515	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

* Disposed of during the year ended 31 December 2011.

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

(c) Associates

As at 31 December 2011, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/ paid-in capital 2011 (RMB'000)	2010	Attributable equity interests 2011	2010	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	–	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

* Disposed of during the year ended 31 December 2011.

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

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

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

The English names of certain subsidiaries, jointly controlled entities 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.

42. Subsequent events

On 15 February 2012, a resolution was passed at the first Extraordinary General Meeting of the Company in 2012 to approve the Equity Transfer Agreement (the "Agreement") entered into on 5 December 2011 between the Company and APM Terminals Xiamen Company Limited ("APMT") in relation to Xiamen Songyu Container Terminal Co., Ltd. ("Xiamen Songyu") and the discloseable and connected transaction contemplated thereunder. Pursuant to the Agreement, the Company shall acquire 25% equity interest in Xiamen Songyu from APMT at a consideration of RMB530,000,800 in order to enable the Company to participate in the joint operation and management of Xiamen Songyu (the "Acquisition"). The Company is currently carrying out certain requisite procedures to complete the Acquisition. The matter did not have any impact on the financial statements for the year ended 31 December 2011.

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