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

2012
ANNUAL REPORT

* For identification purpose only


海天01

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Xiamen International Port Co., Ltd.
Annual Report 2012

Corporate Information

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HUANG Zirong
FANG Yao
HONG Lijuan

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CHEN Dingyu
FU Chengjing
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SUPERVISORS
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Certified Public Accountants

PRC auditor:
PricewaterhouseCoopers Zhong Tian
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LEGAL ADVISERS
as to Hong Kong law:
Vincent T. K. Cheung, Yap & Co.

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King & Wood Mallesons

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STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED
3378

LISTING DATE
19 December 2005

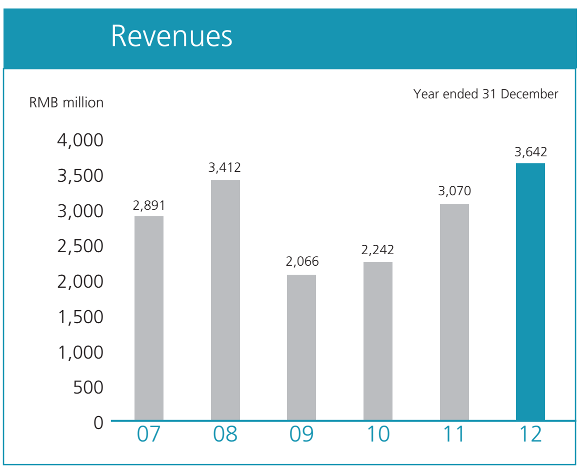
* Newly appointed with effect from 28 December 2012

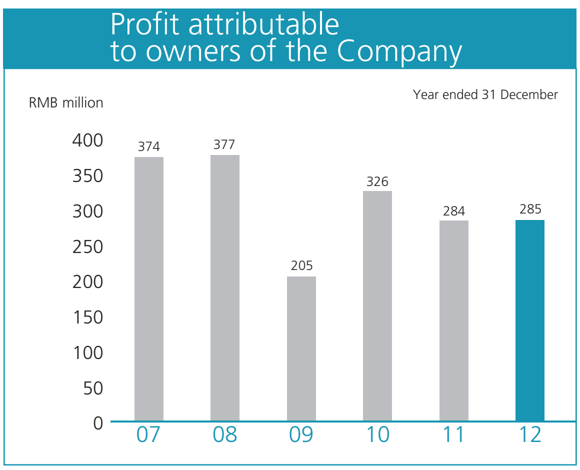
Corporate Profile

Xiamen International Port Co., Ltd. ("Xiamen Port" 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 owns and operates four international container terminals, namely 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 sixteen 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 leased Haicang berths No. 6 and No. 8 in Haicang port area and Songyu berth No. 3 in Songyu port area of Xiamen port for operation, and has also leased berth No. 8 in Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of business development.

Financial Highlights

	Year ended 31 December					
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Revenues	2,890,969	3,411,524	2,065,904	2,241,717	3,069,703	**3,642,048**
Gross profit	640,570	611,518	437,840	565,001	587,813	**579,807**
Operating profit	548,218	506,146	322,821	459,728	449,545	**547,417**
Profit before income tax expense	563,207	502,067	310,771	458,649	450,288	**536,145**
Profit for the year	506,575	474,259	271,183	406,121	388,001	**424,925**
Profit attributable to owners of the Company	374,417	376,659	205,091	325,814	284,337	**284,935**
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	13.73	13.82	7.52	11.95	10.43	**10.45**

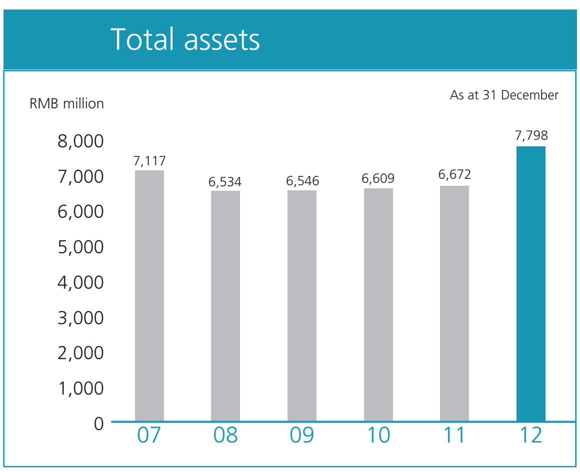


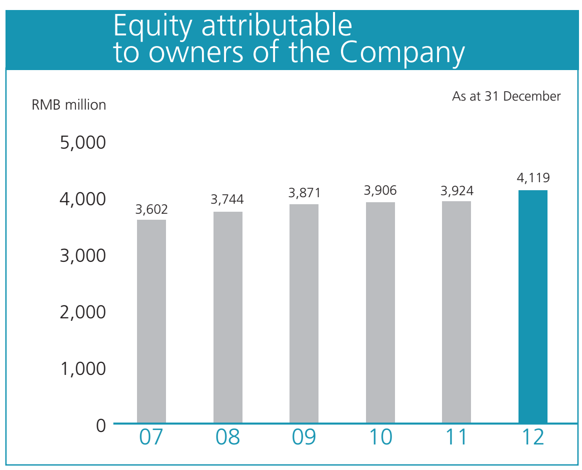


Financial Highlights

	As at 31 December					
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Total assets	7,116,875	6,534,122	6,546,137	6,609,407	6,671,807	**7,798,148**
Equity attributable to owners of the Company	3,602,147	3,743,916	3,871,063	3,906,187	3,924,498	**4,118,994**
Total liabilities	2,633,915	1,870,399	1,758,284	1,742,261	1,719,161	**2,526,679**
Cash and cash equivalents	1,001,285	844,665	806,557	1,154,304	926,176	**827,918**

	As at 31 December					
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Current ratio (times)	1.36	1.52	1.53	1.70	1.68	**1.71**
Gearing ratio (%)	0.13	(4.03)	(9.66)	(18.56)	(10.90)	**4.00**
Inventory turnover days	42	34	30	32	31	**29**
Accounts receivable turnover days	62	55	94	94	72	**71**





Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2012 to the shareholders.

In 2012, under the profound influence of the international financial crisis, especially with the deepening and spreading of sovereign debt crisis in Europe, recovery of the global economy slowed down substantially. In addition, the operating environment of port business was even more challenging due to a number of factors such as the Chinese economy currently facing a greater recession pressure, rising production and operating costs for enterprises and the fierce competition among the port terminals, etc. Facing such a sophisticated market environment, the Group hinged around the construction of the South-East International Shipping Centre (東南國際航運中心), fully leveraged upon its synergies effect and scale advantage, timely adjusted the operating strategy, optimized resource allocation and focused on developing the core businesses. Meanwhile, the Group stuck to implement the hinterland strategy, promoted resource integration, strengthened refined management, carried out stringent cost control and boosted energy conservation and consumption reduction. With the active and effective adoption of various operational management measures, the Group maintained a steady development of its port business in 2012.

For the year ended 31 December 2012, the revenue of Xiamen Port was approximately RMB3,642,048,000, representing an increase of approximately 18.6% over the previous year; the profit after tax was approximately RMB424,925,000, representing an increase of approximately 9.5% over the previous year; while the profit attributable to owners of the Company was approximately RMB284,935,000, representing an increase of approximately 0.2% over the previous year. Earning per share for profit attributable to owners of the Company (basic and diluted) was approximately RMB10.45 cents, representing an increase of approximately 0.2% over the previous year.

The board of directors (the "Board") recommended the payment of a final dividend of RMB5.5 cents per share (tax inclusive), amounting to a total final dividend of RMB149,941,000 (tax inclusive).

In 2012, the Group has, in response to the changes in the market conditions, actively and insistently implemented the strategies of business expansion and hinterlands development, unceasingly improved service efficiency and promoted the continuous development of its main port business. Firstly, the Group promoted business collaboration with significant results achieved in the business expansion. The Group adopted various flexible measures to strengthen its business collaboration and to improve the effectiveness of joint marketing among subsidiaries of the Group. The main measures included: (1) the active development of international container business and the mutual assistance and flexible adjustments of Haitian, Hairun and Songyu Terminals in respect of arrangements for the berthing and unberthing of the foreign trade shipping routes and lines, etc. with relatively significant achievements, securing schedule punctuality and operational efficiency of all the terminals that serve such routes of the shipping companies; (2) the promotion of functional layout adjustments of the Group's terminals, coordination of Haitian Terminal and other terminals to fully support the domestic trade container business operating in Dongdu Terminal and the mutual regulation of operating drivers and other operating resources, in order to ensure the achievement of container throughput of approximately 1,100,000 Twenty-foot Equivalent Units ("TEUs") during the year; (3) the active promotion of synergetic development between the main business of the terminals and the ancillary value-added services. The bonded logistics business has a significant growth in business volume and benefit by leveraging on the main business of the terminals. The related value-added businesses in relation to special cargo exploited by Haitian Terminal have effectively lifted the proportion of the cargo owners' revenue out of the revenue per TEU; and (4) the promotion of faster growth in the transshipment business. Approximately 252,000 TUEs in total in the international transshipment container volume were achieved in 2012, increased by approximately 13%, approximately 507,900 TUEs were achieved in the domestic trade transshipment, increased by approximately 67.9%, and approximately 379,000 TUEs were achieved in container domestic feeder, increased by approximately 63%, boosting the sustainable growth in the container throughput of the Group. Secondly, the Group has devoted to the development of the feeder ports and land-based ports, and has made a breakthrough in the hinterlands strategy. The Group established a cross-regional terminal operation enterprise – Fuzhou Haiying Gangwu Co., Ltd (福州海盈港務有限公司) for the first time, and successfully leased and operated Fuzhou Zhongying Terminal, which is an important step towards the implementation of the hinterlands strategy. Sanming Land-based Port (三明陸地港) project, which is the Group's first large-scale operating land-based port, has commenced its formal operation of the first phase of the project recently, and Ji'an Land-based Port (吉安陸地港) has officially commenced construction at the end of August 2012; Chaozhou Port Sanbaimen Terminal (潮州港三百門碼頭) project, the first terminal construction project which was actually invested by the Group outside of the local area, has already set up a joint venture company. Thirdly, the Group has devoted to improving its service quality. The Group promoted the cooperation with the Customs and port departments in order to strive for more policy support, and to lower the customers' logistics cost, for example, by signing of the strategic cooperation agreement with the Inspection and Quarantine Department, the Group can provide a more convenient and favourable service proposal to our customers, which attracts Nine Dragons Paper (玖龍紙業) to conduct its import business through our terminals, which will produce a container throughput of 200,000 TEUs after its project is put into production; the Group has promoted the intelligent production management, optimized the production technological process, enhanced the operational efficiency of the terminals, and the Tonnes Per Ship-Hour of the container line of the Group's terminals lies the first level of the industry.

During the period under review, the Group achieved a steady growth in container throughput and bulk/general cargo handling capacity with approximately 4,422,000 TEUs and approximately 7,396,000 tonnes respectively (the handling capacity 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 61.4% and 41.2% 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 continued to improve on its corporate governance level, constantly advanced the corporate refined management and accelerated the port resources integration. During the year, pursuant to the new relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company made amendments to the articles of association (the "Articles") of the Company and elected two additional independent non-executive directors according to the applicable procedures, so that the number of the independent non-executive directors will represent at least one-third of the Board. The Company amended the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee in accordance with the relevant provisions of the Corporate Governance Code, so as to improve the corporate governance through explicitly specifying the procedures for shareholders to nominate candidates of the directors and the roles and functions of each member of the Board. The Group is also dedicated to improving internal control and strengthening internal management through the following main measures: engaged the relevant intermediaries to assist the Company and Haitian Terminal to standardize the internal control system and facilitate communications among the member companies, carried out the Company's services to our member companies in service chain of the port logistics and enhanced mutual cooperation; promoted the general control of funds and achieved remarkable results in saving financial costs; improved tax planning through, on one hand, relocating the Company's registered address to Haicang Bonded Port so as to enjoy the relevant tax preference at the earliest time, and on the other hand, actively carrying out the relevant work regarding the change from business tax to value-added tax, whereby the Company and its relevant terminals have obtained approval from the tax authorities to enjoy the export tax exemption for the income generating from the services provided to the foreign companies. Besides, the Company has also successfully applied to the tax authorities for the reduction of the land appreciation tax in respect of the transfer project of berth No.1 in Haicang port area, hence effectively lowering the tax costs of the Group; strengthened the work relating to energy conservation and emission reduction, and well achieved the annual energy conservation targets, through which certain projects, for example, the "Electrification" project of the Hairun Terminal, obtained the corresponding energy-saving subsidies or incentives from the government department. During the period under the review, the Group successfully completed the acquisition of 25% equity interests in Xiamen Songyu Container Terminal Co., Ltd ("Songyu Terminal") from APM Terminals Xiamen Company Limited ("APMT"), and reduced the project cost by using the interest rate spreads arbitrage generated from the different currencies when applying for loans. Leveraging on the opportunity of the construction of cruise home ports promoted by the government, the Group promoted the relevant land and assets resumption projects in berths No. 1 to 4 of Dongdu Terminal as well as the new construction projects of berths No. 20 and No. 21 in Haicang port area, so as to facilitate the development of business capacity of domestic trade container and bulk/general cargo port operations. Meanwhile, the Group used its best endeavors to speed up the port resources integration project, so as to further consolidate the leading position of the Group in the port container handling business in Xiamen, and currently this project has already made a major breakthrough.

In 2013, as a consequence of the major debt crisis of the developed countries and the aggravation of the trade and investment protectionism, it is expected that the global economy will still maintain a low growth rate. In Mainland China, according to the forecast of the Chinese government and its relevant authorities, the estimated national economic growth rate of China in 2013 will be approximately 7.5%, representing a faster growth rate than that of 2012. Meanwhile, following the in-depth 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) and the continuous promotion of the construction of the South-East International Shipping Centre and Mainland-Taiwan Trade Centre (大陸對台貿易中心) in Xiamen, it is expected that the business development of Xiamen in trade and logistics will further develop across the Taiwan Straits (the "Straits"), which will benefit the continuous development of Xiamen port and the business of the Group. On the other hand, following the operation commencement of berths No.15 to No.19 in Haicang port area of Xiamen port, the competition between each terminal of Xiamen port has become fiercer, which has brought certain impacts on the business of some shipping lines of the Group's relevant terminals. It is expected that the situation of excessive competition in Xiamen Port will be significantly alleviated with the timely implementation of the above-mentioned Xiamen port resources integration. As a result, the Group will face both opportunities and challenges in 2013.

Chairman's Statement

Looking forward to the year of 2013, for the purpose of maximizing the overall interests of shareholders, the Group will constantly promote the corporate governance, strengthen the information disclosure and investor relations and ensure the regulated operation of the Company; constantly advance the refined corporate management, build a sound and complete internal control system with the assistance of the relevant intermediary agencies, reinforce the system management base, strengthen the management of budget tracking, reinforce the general control over funds, strengthen energy conservation and emission reduction, leverage on various favorable policies, control or reduce costs through technological innovation and scientific management control and endeavor to increase revenue and reduce expenses to enhance its economic efficiency. Meanwhile, the Group will strictly put emphasis on the core port business, actively participate in the market competition, adhere to the joint marketing strategy, continuously promote the volume expansion in operation, unswervingly implement the hinterlands strategy, improve the cargo-canvassing network and further develop the feeder ports and land-based ports; taking full advantage of the opportunity of the construction of the South-East International Shipping Centre, speed up the port resources integration, strengthen the coordination and cooperation with related ports, make best efforts to alleviate the situation of excessive competition among the ports, and gradually boost the reasonable growth of the port throughput and the gradual recovery of the port fees, so as to bring stable returns to the shareholders of the Group.

Last but not least, I, on behalf of the Board, would like to express my sincere gratitude to the unrelenting trust and support of all the shareholders and business partners of the Group in the previous year and my deepest thanks to all employees of the Group for their hard working. I am confident that, under the wise leadership of the Board and with the united endeavors of all employees, the Group will be able to achieve better growth and create greater wealth for the shareholders.

Lin Kaibiao
Chairman

Xiamen, the PRC
21 March 2013

Management Discussion and Analysis

INDUSTRY OVERVIEW

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

In 2012, although China's overall economy illustrated a good momentum of stable growth, due to several factors such as the European debt crisis, a constantly weak demand in the international market, increased costs in production and operation of the domestic enterprises and the surplus in capacity, China's foreign trade and port operation business recorded a significant slacked growth. According to the relevant information released by the National Bureau of Statistics of the PRC, the gross national product in the PRC in 2012 was approximately RMB51,932.2 billion, representing an increase of approximately 7.8% over the corresponding period (the same as the below) of the year of 2011; the total import and export volume of goods of the PRC was approximately USD3,866.8 billion, representing an increase of approximately 6.2%, and the growth rate fell by 16.3% over the year of 2011. Out of this amount, exports of goods for the whole year increased by approximately 7.9% to approximately USD2,048.9 billion; imports of goods for the whole year increased by approximately 4.3% to approximately USD1,817.8 billion, and after offsetting the import and export volume of goods, the foreign trade surplus was USD231.1 billion. For the port operation business, China's port cargo throughput was approximately 9.74 billion tonnes in 2012, representing a year-on-year increase of approximately 6.8%, and the growth rate fell by 5.1% as compared with the year of 2011, while port container throughput was approximately 177 million TEUs, representing a year-on-year growth of approximately 8.1%, and the growth rate fell by 3.3% as compared with the year of 2011.

Foreign trade of Fujian and ports in Xiamen

Benefiting from the sustainable growth of China's macro-economy and the rise of development of Economic Zone on the Western Coast of Taiwan Straits (the "Western Coast") as a national strategy, Fujian Province's economy has continued to maintain a stable growth. During the reporting period, the further implementation of the *Development Plan of Economic Zone on the Western Coast of Taiwan Straits (海峽西岸經濟區發展規劃)*, together with the *Development Plan of the Blue Economic Pilot of Fujian Straits (福建海峽藍色經濟試驗區發展規劃)* and the *Work Program of the Economic Development Pilot of Fujian Ocean (福建海洋經濟發展試點工作方案)* approved by the State Council and the National Development and Reform Commission of the PRC respectively have created a favorable policy environment for the Western Coast to grow a sound and fast economy, effectively promoting the sustainable development in economy and trade on Fujian Province, particularly between Fujian Province and Taiwan. Based on the data provided by the Fujian provincial government, the gross domestic product of Fujian Province in 2012 amounted to approximately RMB1,970.2 billion, representing a year-on-year growth of approximately 11.4%, while the total value of exports and imports of foreign trade was approximately USD155.9 billion, representing a year-on-year growth of approximately 8.6%. Port cargo throughput amounted to about 414 million tonnes, representing an increase of approximately 9.8% over the previous year, while container throughput was approximately 10.73 million TEUs, representing an increase of approximately 10.6% over the previous year.

The year of 2012 was the inaugural year for the construction of the South-East International Shipping Centre in Xiamen. During the year, Fujian Province and Xiamen City have committed to the implementation of the *Overall Trial Proposal of Integrated Ancillary Reform of Deepening the Cross-strait Exchange and Cooperation in Xiamen City*, and developed the related opinions or taken measures pertaining to the proposal, which effectively facilitated the construction of the South-East International Shipping Centre and its shipping logistics comprehensive service system, promoted the common prosperity between port and industry, the integration of the hinterland and transshipping, and the sustainable and stable development of the container business of Xiamen port. In 2012, the total container throughput of Xiamen port was approximately 7.202 million TEUs, representing an increase of approximately 11.4% over the year of 2011. It ranked eighth in terms of container throughput among the ports in mainland China, accounting for approximately 67.1% of the total container throughput in Fujian Province. In addition, Xiamen City has carried out the pilot reform for converting business tax to value-added tax from 1 November 2012. The port industry was also within the scope of the pilot reform, in which the value-added tax rate of 11% is applicable to the general taxpayers of transportation industry (including land transport, water transport services) and the value-added tax rate of 6% is applicable to the general taxpayers of other modern service industries (including logistics auxiliary services such as port terminal service, cargo transport agency service, storage service and loading, unloading and transport services). Such reform may increase the taxation burden of the port enterprises, and facilitate the respective adjustment to the business operation models as well as the enterprise operation rules of the port enterprises.

BUSINESS REVIEW

For the year ended 31 December 2012, the Group was principally engaged in port terminal businesses in relevant terminals in Dongdu port area and Haicang port area in Xiamen and Qingzhou Operating Area in Fuzhou City, including container port operation, bulk/general cargo port operations and ancillary value-added port services. In addition, the Group was also engaged in the manufacturing, processing and sales 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 2012, the Group owned and operated five terminals with a total of sixteen berths for containers and bulk/general cargo of international and domestic trade, 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.

The Group owned and operated four international container terminals, namely, Haitian Terminal with seven berths (Dongdu berths No. 5 to No. 11) situated in 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 Haicang port area as well as Hairun Terminal with two berths (Haicang berths No. 4 and No. 5) also situated in Haicang port area.

In addition, the Group also operated Dongdu Terminal with four berths (Dongdu berths No. 1 to No.4) situated in 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 sixteen berths owned and operated by the Group, the Group also leased berth No. 6 in Haicang port area from Xiamen Port Holding, berth No. 3 in Songyu port area from Songyu Terminal, which is owned as to 50% by Xiamen Port Holding Group Co., Ltd. (“Xiamen Port Holding”) and as to 25% by the Company) and berth No. 8 in 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. In addition, the Group also leased berth No. 8 in Qingzhou Operating Area in Fuzhou City (Fuzhou Zhongying Terminal) from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) (“Zhongying Gangwu”) for operation of the container and general cargo loading and unloading and the port-related comprehensive logistics business from 20 November 2012.

Container port business

During the reporting year, a container throughput of 4,421,507 TEUs was achieved by the Group with details as follows:

	Container throughput		
	2012 (TEUs)	2011 (TEUs)	Increase/ (decrease)
Haitian Terminal and Hairun Terminal of the Group (international trade)#	**2,285,765**	2,104,633	8.61%
XICT and XHICT (international trade)*	**1,030,443**	1,140,803	(9.67%)
Berth No. 1 of Dongdu Terminal (domestic trade)☆	**1,105,299**	909,092	21.58%
Total throughput	**4,421,507**	4,154,528	6.43%

During the reporting year, Hairun Terminal leased and operated berth No. 6 in Haicang port area of Xiamen port from Xiamen Port Holding 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 (廈門海滄港務有限公司) ("XMHPC"), one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through XMHPC, 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 respect 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.

☆ Since 1 February 2012, Dongdu Terminal leased and operated berth No. 3 in Songyu 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 container business of Dongdu Terminal also contains the figures of berth No. 3 in Songyu port area of Xiamen port, which are consolidated in the calculation.

In 2012, with the advantages brought by the continuous growth of China's macro-economy and trade and the effective co-marketing of the Group, the container throughput of the Group increased by 6.43% over the previous year. The container throughput in the international transshipment and the domestic sub-routes were approximately 0.252 million TEUs and 0.379 million TEUs respectively, representing an increase of approximately 13% and 63% over the previous year respectively; the container throughput of the domestic trade was approximately 1.105 million TEUs, representing an increase of approximately 21.6% over the previous year. The business of the international transshipment and the domestic sub-routes as well as the container business in respect of the domestic trade as mentioned above accounted for approximately 39.3% of the total container throughput of the Group in 2012, the significant increase of which making a comparatively larger contribution to the growth of the Group's container throughput during the year. On the other hand, as a result of diversion of the self-operated lines of relevant shipping operators to the relevant berths in Xiamen port which were dominantly run by them, together with the reduction and adjustment for shipping routes and berths of certain clients, the container business of XICT decreased by approximately 10% as compared with 2011, which resulted in a slower growth of the container business of the Group.

In response to the above-mentioned conditions of XICT, the Group has adopted appropriate countermeasures: firstly, to strengthen the close connections with other major shipping operators, to proactively develop the strategic port-route cooperation relationship, to commit itself to maintain and strengthen the major customers' shipping routes and to develop new shipping routes; secondly, to reinforce the development of the international transshipment and domestic sub-routes transshipment business, as well as the in-port shipping route business in order to cover part of the loss in the quantity of containers; thirdly, to accelerate the upgrading and restructuring of the structure of relevant terminals and to enhance the berthing capacity of relevant berths in order to better meet the demand of larger-scale carriers and to attract new routes of colossal carriers to accommodate in the terminals of the Group.

Bulk/general cargo port business

In 2012, the bulk/general cargo throughput handled by the Group in the whole year amounted to 7,064,404 tonnes with details as follows:

	Bulk/general cargo throughput		
	2012 (Tonnes)	2011 (Tonnes)	Increase
Berths No. 2 to No. 4 of Dongdu Terminal*	**6,808,300**	6,600,103	3.15%
XICT and XHICT	**256,104**	249,687	2.57%
Total throughput	**7,064,404**	6,849,790	3.13%

* 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 of bulk/general cargo during the reporting year, and therefore, 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 business slightly increased by 3.13% as compared with the previous year. The business of berth No. 8 in Haicang port area leased by Dongdu Terminal was adversely impacted by the prevailing economic trend, which resulted in a decrease in the business of the building materials and steel products, but the market share of imported quarry stones of berths No. 2 to No. 4 of Dongdu Terminal maintained stable with a significant growth in such cargos as imported food, copper concentrates, pulp paper and zircon sand, allowing the aggregate volume of the bulk/general cargo port business of Dongdu Terminal to record an increase of 3.15% over the previous year; XICT was not permitted to carry out the domestic trade cargo business subject to the policy of Haicang Bonded Port, but XICT obtained one new customer engaged in foreign trade during the year with relatively stable business, and the throughput increased merely by 2.57% over the previous year.

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, the Group persistently implemented the overall marketing strategy, and effectively propelled the interaction and development of the ancillary value-added port services and the loading and unloading business of the port. The market shares of the shipping agency, tallying, tugboat berthing and unberthing businesses of the Group remained relatively stable during the year, of which the off-port market of the tugboat berthing and unberthing business was on expansion with three additional off-port operation sites. The percentage of operating revenue from the off-port operation sites in this tugboat berthing and unberthing business was over 20%, thus forming the picture of three-dimensional operation. The traditional logistics businesses such as on-site assembly warehouse and empty container pile-ups and the modern logistics businesses such as cargo consolidation and bonded logistics business of the Group kept a momentum of sound development. Together with the use of original warehouses No. 1, No. 3, No. 6 and No. 7 and newly-built warehouse No. 8, the bonded logistics business further satisfied the growing market demand and effectively promoted the operational results through the innovative business model and operational process. During the reporting year, the Group has proactively expanded the hinterland of cargo sources of the port. Besides, the project in the first phase of the land-based port has been completed and put into use in Sanming City, Fujian Province, and the project of the land-based port in Ji'an, Jiangxi has been commenced construction in the year. Sea-rail joint transportation business developed stably during the year. In 2012, the container volume of sea-rail joint transportation business was approximately 29.2 thousand TEUs.

Trading business of merchandise

Adhering to the operation philosophy of port and trade integration, the Group prudently conducted trading business of merchandise. In 2012, the Group focused on domestic trading agency business for large scale merchandise as well as self-operated business of steel and chemical materials, which facilitated a sustainable growth in the port throughput of the Group. During the year, the risk control of such businesses achieved a better effect generally. As accounts receivable but overdue of the original businesses have been substantially collected, the Group has further strengthened the risk control in relation to warehouse management with significant growth in steel business during the year; meanwhile, the Group has jointly explored new trading channels and customers through close cooperation with relevant terminals and logistics subsidiaries under the Group.

FINANCIAL REVIEW

Revenues

Revenues of the Group increased by approximately 18.6% from approximately RMB3,069,703,000 for the year ended 31 December 2011 to approximately RMB3,642,048,000 for the year ended 31 December 2012. The increase was primarily due to the revenue increases in the Group's trading business of merchandise, manufacturing and selling business of building materials and bulk/general cargo loading and unloading business.

Revenue by business sector

	For the year ended 31 December		
Business	**2012 (RMB'000)**	2011 (RMB'000)	Increase
Container loading and unloading and storage	**815,121**	801,004	1.8%
Bulk/general cargo loading and unloading	**209,356**	201,618	3.8%
Ancillary value-added port services	**678,943**	667,483	1.7%
Manufacturing and selling of building materials	**404,674**	358,167	13.0%
Trading business of merchandise	**1,533,954**	1,041,431	47.3%
Total	**3,642,048**	3,069,703	18.6%

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2012 compared with 2011 are as follows:

1. The container throughput of the Group for the year ended 31 December 2012 was approximately 3,916,590 TEUs (counting as 51% of XICT's throughput under proportional consolidation method), representing an increase of approximately 8.9% compared with 2011. Being offset by the decreased tariff due to fierce competition, the revenue of container loading and unloading and storage business increased slightly.

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 an increase in the average tariff and also 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 the revenue of the ancillary value-added port services of the Group.

4. Due to the influence of the increased 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 of the revenue of the trading business of merchandise.

Cost of sales

Cost of sales increased by approximately 23.4% from approximately RMB2,481,890,000 for the year ended 31 December 2011 to approximately RMB3,062,241,000 for the year ended 31 December 2012. The increase was primarily due to the increase in the cost of trading merchandise and cost of inventories consumed, transportation and labor outsourcing cost, employee benefits expense as well as depreciation and amortization.

— Cost of trading merchandise and cost of inventories consumed increased by approximately 31.5% from approximately RMB1,485,716,000 for the year ended 31 December 2011 to approximately RMB1,953,478,000 for the year ended 31 December 2012. The increase was mainly due to the Group's expanding of the scope of trading business and the increase of volume of merchandise trading business, which led to the corresponding increase in cost.

— Cost of transportation and labor outsourcing increased by approximately 40.4% from approximately RMB135,343,000 for the year ended 31 December 2011 to approximately RMB189,964,000 for the year ended 31 December 2012. The increase was primarily due to the increase in the Group's container and bulk/general cargo throughput which resulted in the corresponding increases in the cost of transportation and labor outsourcing.

— Employee benefits expense increased by approximately 8.2% from approximately RMB425,764,000 for the year ended 31 December 2011 to approximately RMB460,834,000 for the year ended 31 December 2012. The increase was mainly due to the increase in the selling business of building materials and trading business of merchandise of the Group which resulted in an increase in employee benefits expense for performance-based employees, and the proper improving of the expenditure level of employee benefits by the Group.

— Depreciation and amortization increased by approximately 3.1% from approximately RMB213,594,000 for the year ended 31 December 2011 to approximately RMB220,224,000 for the year ended 31 December 2012. The increase was mainly due to the addition of property, plant and equipment by the Group during the year.

Gross profit

Because of the lowered tariff of container port business and the higher costs, the Group's gross profit decreased by approximately 1.4% from approximately RMB587,813,000 for the year ended 31 December 2011 to approximately RMB579,807,000 for the year ended 31 December 2012. Gross profit margin of the Group decreased from approximately 19.1% for the year ended 31 December 2011 to approximately 15.9% for the year ended 31 December 2012. 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 and their proportion to the total revenue increased from approximately 45.6% for the year ended 31 December 2011 to approximately 53.2% for the year ended 31 December 2012.

Other gains

Other gains of the Group increased by approximately 3,537.7% from approximately RMB3,039,000 for the year ended 31 December 2011 to approximately RMB110,549,000 for the year ended 31 December 2012. The increase was mainly due to the gains from the land of berth No. 1 of Dongdu Terminal which has been disposed of.

Operating expenses

The Group's operating expenses increased by approximately 12.7% from approximately RMB205,021,000 for the year ended 31 December 2011 to approximately RMB230,978,000 for the year ended 31 December 2012. The increase was primarily due to the increase in the Group's impairment charges for receivables and prepayments for the year ended 31 December 2012.

Operating profit

The Group's operating profit increased by approximately 21.8% from approximately RMB449,545,000 for the year ended 31 December 2011 to approximately RMB547,417,000 for the year ended 31 December 2012. The Group's operating profit margin was approximately 14.6% for the year ended 31 December 2011 and approximately 15.0% for the year ended 31 December 2012, which was mainly due to the increase in other gains partially offset by the decreased gross profit margin as explained above.

Income tax expense

The Group's income tax expense increased by approximately 78.6% from approximately RMB62,287,000 for the year ended 31 December 2011 to approximately RMB111,220,000 for the year ended 31 December 2012. The increase was mainly due to the rise in the Group's income tax rate. The Group's applicable corporate income tax rate (except for the Company, Agency and XHICT) increased from 24% for the year ended 31 December 2011 to 25% for the year ended 31 December 2012. In addition, the Company's applicable corporate income tax rate also increased from nil for the year ended 31 December 2011 to 12.5% for the year ended 31 December 2012.

Profit for the year

The Group's profit for the year increased by approximately 9.5% from approximately RMB388,001,000 for the year ended 31 December 2011 to approximately RMB424,925,000 for the year ended 31 December 2012. The Group's profit margin was approximately 12.6% for the year ended 31 December 2011 and approximately 11.7% for the year ended 31 December 2012. The decrease in profit margin for the year was mainly due to the increase in income tax expense partially offset by the increased operating profit margin as explained above.

Total comprehensive income for the year

Total comprehensive income for the year increased by approximately 13.3% from approximately RMB367,333,000 for the year ended 31 December 2011 to approximately RMB416,272,000 for the year ended 31 December 2012. Due to the market value of available-for-sale financial assets reflected a moderately rate of decline, other comprehensive loss after tax generated from the change of fair value of available-for-sale financial assets of the Group decreased by approximately RMB12,015,000 for the year ended 31 December 2012 compared with the year ended 31 December 2011.

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 35.0% from approximately RMB103,664,000 for the year ended 31 December 2011 to approximately RMB139,990,000 for the year ended 31 December 2012, 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 increased by approximately 4.8% from approximately RMB263,669,000 for the year ended 31 December 2011 to approximately RMB276,282,000 for the year ended 31 December 2012. The increase was mainly due to the increase in profit for the year.

Accounts and notes receivable

The Group's net accounts and notes receivable increased from approximately RMB647,966,000 as at 31 December 2011 to approximately RMB766,396,000 as at 31 December 2012. The increase was primarily due to the increase of the business.

As at 31 December 2012, the Group's gross accounts and notes receivable were approximately RMB793,816,000, of which approximately RMB735,612,000 accounts and notes receivable were aged within six months, accounting for approximately 92.7% of the total accounts and notes receivable, approximately RMB15,215,000 were aged between six months to one year, approximately RMB25,916,000 were aged between one year to two years, approximately RMB6,606,000 were aged between two years to three years and approximately RMB10,467,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable increased by approximately 16.5% from approximately RMB645,989,000 as at 31 December 2011 to approximately RMB752,417,000 as at 31 December 2012. This was primarily due to the increase of notes payable. The notes payable of the Group increased by approximately 35.7% from approximately RMB169,209,000 as at 31 December 2011 to approximately RMB229,646,000 as at 31 December 2012.

As at 31 December 2012, the Group's accounts and notes payable within one year were approximately RMB749,328,000, accounting for approximately 99.6% and due over one year were approximately RMB3,089,000, accounting for approximately 0.4%.

Borrowings

The Group's borrowings increased from approximately RMB439,558,000 as at 31 December 2011 to approximately RMB1,047,480,000 as at 31 December 2012, which was primarily due to the increase in bank loan of approximately RMB520,000,000 to finance the purchase of 25% equity interests in Songyu Terminal from APMT.

As at 31 December 2012, borrowings due within one year were approximately RMB266,264,000, due within one to two years were approximately RMB336,289,000, due within two to five years were approximately RMB213,099,000 and due over five years were approximately RMB231,828,000.

As at 31 December 2012, the Group's guaranteed loan was approximately RMB329,156,000, of which approximately RMB238,500,000 was guaranteed by Xiamen Port Holding, approximately RMB60,656,000 was guaranteed by a state-owned bank and approximately RMB30,000,000 was guaranteed by Xiamen Port Development Co., Ltd. ("XPD"). The Group's secured loans were approximately RMB436,693,000, of which approximately RMB40,762,000 were secured by the letters of credit, approximately RMB37,562,000 were secured by a bank deposit of USD6,000,000, approximately USD41,000,000 (approximately equivalent to RMB261,048,000) were secured by a bank deposit of RMB260,000,000 and approximately RMB97,321,000 were 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 2012 respectively:

	2012 RMB'000	2011 RMB'000
Net cash generated from operating activities	461,925	287,948
Net cash used in investing activities	(1,097,597)	(268,400)
Net cash generated from/(used in) financing activities	537,528	(244,088)
Net decrease in cash and cash equivalents	(98,144)	(224,540)
Cash and cash equivalents at beginning of year	926,176	1,154,304
Exchange losses on cash and cash equivalents	(114)	(3,588)
Cash and cash equivalents at end of year	827,918	926,176

Operating activities

The Group's net cash generated from operating activities increased by approximately 60.4% from approximately RMB287,948,000 in 2011 to approximately RMB461,925,000 in 2012. The main reasons for the increase in net cash of operating activities included the increase in net cash generated from operations of approximately RMB225,774,000 in 2012, the increase in interest paid of approximately RMB25,334,000 and the increase in income tax expense paid of approximately RMB26,463,000.

Investing activities

The Group's net cash used in investing activities increased from approximately RMB268,400,000 in 2011 to approximately RMB1,097,597,000 in 2012. The cash outflow in investment activities in 2012 was mainly due to approximately RMB530,000,000 paid for the purchase of 25% equity interests in Songyu Terminal and the RMB335,000,000 deposits paid as a security of additional borrowings.

Financing activities

The Group's net cash generated from financing activities increased from outflow of approximately RMB244,088,000 in 2011 to inflow of approximately RMB537,528,000 in 2012. The net cash generated from financing activities inflow in 2012 was primarily due to the cash inflow of approximately RMB889,599,000 from the newly borrowed loans, and the cash injection of approximately RMB21,000,000 by the non-controlling shareholders of the subsidiaries, partially offset by the cash outflow of borrowings repayment of approximately RMB266,001,000 and dividends paid in the Year of approximately RMB107,070,000.

Capital expenditure

The Group's capital expenditures in 2011 and 2012 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 2012:

	2012 RMB'000	2011 RMB'000
Total capital expenditure	**340,887**	363,904

Capital expenditure commitments

As at 31 December 2012, the Group's capital expenditure commitments were approximately RMB172,842,000, which primarily consisted of construction expenditure for the first phase of the project of Haicang port area as well as expenditures on the construction of logistics warehouses and purchases of equipments and other machineries.

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 2012.

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.

Net debt to equity ratio

As at 31 December 2011, the Group was in net cash position. The Group's net debt to equity ratio changed to approximately 4.00% as at 31 December 2012, which was primarily due to the increase of borrowings resulted from newly-added investments and decrease of cash and cash equivalents resulted from the purchase of properties, plants and equipments and payment of dividends.

Contingent liabilities

As at 31 December 2012, the Group had no significant contingent liabilities.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2012, the Group had a total of 5,670 employees, representing an increase of 32 employees as compared to 31 December 2011. During the year, total staff costs accounted for approximately 16.0% of the Group's revenue. Employees' remunerations of the Group included basic salary, other allowances and performance-based bonus, which are determined by their job nature, individual performance, qualifications and experience as well as 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.

ESTABLISHMENT OF NEW COMPANIES IN 2012

On 27 March 2012, XPD, a subsidiary of the Company, invested to establish Zhangzhou City Gulei Port Development Co., Ltd. ("Gulei Port Development") in Zhangzhou City, Fujian Province; on 29 March 2012, the Company invested to establish Fuzhou Haiying Port Co., Ltd. ("Haiying Port") in Fuzhou, Fujian Province, for details of the above, please refer to the section headed "Management Discussion and Analysis" in the 2012 Interim Report of the Company. Meanwhile, pursuant to the agreement entered by its shareholders at the time of the establishment of Gulei Port Development, as at 31 July 2012, XPD invested to establish Gulei Harbour Highway Co., Ltd. ("Gulei Company") in

Zhangzhou City, which is responsible for the construction of A1 Section Project of the harbour highway at the interchange area of Gulei operating area and Gulei port (details of which are set out in the announcement of the Company dated 6 July 2012), and taking this opportunity to participate in the construction and operation of Gulei port area. The registered capital of Gulei Company, a wholly-owned subsidiary of XPD, is RMB40 million and the relevant industrial and commercial registration formalities have been completed.

On 3 September 2012, XPD invested to establish Xiamen Hailong Terminal Co., Ltd. (“Hailong Terminal”) in Haicang District, Xiamen City, which, as the project owner, is responsible for the construction and operation of berth No. 20 and berth No. 21 of Haicang port area. The registered capital of Hailong Terminal, a wholly-owned subsidiary of XPD, is RMB10 million and the relevant industrial and commercial registration formalities have been completed.

On 10 September 2012, Sanming Lugang Logistics Limited Company, an indirect subsidiary of the Company, changed its name to Sanming Port Development Co., Ltd. (“Sanming Port”). Sanming Port invested to establish Sanming Port Logistics Co., Ltd. (“Sanming Logistics”) and Sanming Port Construction Co., Ltd. (“Sanming Construction”) on 19 October 2012 and 11 December 2012, respectively, for the purpose of promoting the implementation of the relevant projects of Sanming land-based port. The registered capital of each of Sanming Logistics and Sanming Construction (both are wholly owned subsidiaries of Sanming Port) is RMB10 million and the relevant industrial and commercial registration formalities have been completed.

On 29 September 2012, Xiamen Port Logistics Co., Ltd. (“XPL”), an indirect subsidiary of the Company, and Xiamen Aorun Wine Trading Co., Ltd. jointly invested to establish Xiamen Port Wine Co., Ltd. (“Port Wine”) , which is principally engaged in the business of importing grape wine and expanding the wine industry market. The registered capital of Port Wine is RMB8 million, of which 70% equity is held by XPL, and the relevant industrial and commercial registration formalities have been completed; on 20 November 2012, XPL established Port Logistics, Zhangzhou Branch in Zhangzhou Port, Fujian Province, PRC and the relevant operation license and industrial and commercial registration formalities have been completed. The branch company currently leased and operated the related warehouses in Longchi Development Zone, Zhangzhou City to carry out the warehousing operations.

On 25 December 2012, XPD and Chaozhou Gulf Investment and Development Co., Ltd. jointly invested to establish Chaozhou Port Development Co., Ltd. (“Chaozhou Port”) , which is responsible for the development and construction of Chaozhou Xiaohongshan Terminal and the comprehensive development project in Sanbaimen new port area, to promote the cooperation between Xiamen Port and Chaozhou Port in shipping network layout and port logistics services. The registered capital of Chaozhou Port is RMB10 million, of which 70% equity is held by XPD, and the relevant industrial and commercial registration formalities have been completed.

OTHER SIGNIFICANT EVENTS IN 2012

On 17 April 2012, the Company and its subsidiary, Haiying Port, have entered into the Operating Lease Contract of Berth No. 8 in Qingzhou Operating Area, Fuzhou Port with Zhongying Port, pursuant to which the Company and Haiying Port, as the lessees, leased and operated the land use right of Berth No.8 in Qingzhou Operating Area, Fuzhou Port and its related operating assets owned by Zhongying Port (the "leased properties") on a joint liability basis for a term of ten year at a total rental of RMB329.5 million, and the aforesaid transaction is expected to be beneficial to the consolidation and expansion of the Group's hinderland in the Northern Fujian region and the establishment of transshipment bases (details of which are set out in the announcement of the Company dated 17 April 2012). On 20 November 2012, the leased properties have been delivered by Zhongying Port to the Company and Haiying Port as stipulated in the contract, and the lease term and the rental have also been calculated from then.

Pursuant to the equity transfer agreement entered into by the Company and APMT on 5 December 2011, on 14 May 2012, the Company completed all relevant formalities for the acquisition of 25% equity interest in Songyu Terminal from APMT in accordance with the terms and conditions of the said agreement (for details, please refer to the announcement dated 14 May 2012 and the section headed "Management Discussion and Analysis" in the 2012 Interim Report of the Company).

On 6 July 2012, XPD, CCCC Third Harbour Engineering Co., Ltd. ("CCCC") and Zhangzhou Gulei Transportation Development Co., Ltd. ("Gulei Development Company") entered into the engineering investment and build-transfer ("BT") project contract and supplement of engineering investment and BT project contract and relevant documents, pursuant to which XPD and CCCC act as the joint investors to invest and conduct the construction of A1 Section Project of the harbour highway at the interchange area of the Gulei Operating Area in Zhangzhou Gulei Port Economic Development Region and the Gulei Port, and the total investment of the project is approximately RMB523 million. Gulei Development Company will repurchase the project after its completion in the manner as agreed in the above contract. The transaction provided the Group with an opportunity to be involved in the construction, operation and management of the terminal related projects in the Gulei port area, and the expansion of the ancillary value-added port services, details of which are set out in the announcement of the Company dated 6 July 2012.

On 12 October 2012, the Company, XPD, Xiamen Port Power Supply Service Co., Ltd. ("Xiamen Electricity") (being the subsidiary of the Company) and Xiamen Port (Group) Domestic Shipping Agency Co., Ltd. ("Shipping Agency Company") respectively entered into the land resumption agreements or compensation agreements with the Xiamen Land Development Centre ("Land Development Centre"), pursuant to which Land Development Centre conducted the resumption of the land with an area of approximately 378,000m^2 and the related assets at Dongdu terminal owned by the Group, at the total compensation amount of RMB1,086,614,353. In response to the potential effect of the above resumption to the existing business of XPD, XPD intended to acquire the use right of the coastline in berths No. 20 to No. 21 of the Haicang port area through its wholly owned subsidiary, Hailong Terminal (海隆碼頭), to conduct and operate the terminal business, details of which are set out in the announcement of the Company dated 14 October 2012 and 31 December 2012.

On 17 October 2012, pursuant to the relevant amendments to the articles of association of the Company passed at the second extraordinary general meeting in 2012 of the Company and approved by Xiamen Administration of Industry and Commerce, the Company changed its registered address to No.439, Gangnan Road, Haicang District, Xiamen, so as to grasp the opportunity of the construction of the South-East International Shipping Center in Xiamen and make full use of the relevant preferential policies of Xiamen Haicang Bonded Port.

SUBSEQUENT EVENTS

On 5 February 2013, the Company, XPD, Xiamen Electricity and Shipping Agency Company has respectively received RMB12,024,608.10, RMB96,034,526.90, RMB543,230.00 and RMB59,070.00 as the second tranche of compensation (representing 10% of the respective total compensation) pursuant to the relevant land resumption agreements or compensation agreement.

On 18 February 2013, a resolution was passed at the 20th meeting of the third session of the Board of the Company to approve the Company's acquisition of 20% equity interests in Xiamen Electricity from Haitian Terminal, therefore Xiamen Electricity became a wholly-owned subsidiary of the Company upon the completion of the above equity transfer formalities.

On 25 February 2013, a resolution was passed at the 21st meeting of the third session of the Board of the Company to approve the merger and synchronous contribution agreement on the establishment of Xiamen Container Terminal Group Co., Ltd. (temporarily named), the joint venture contract of Xiamen Container Terminal Group Co., Ltd. and the Articles of Association of Xiamen Container Terminal Group Co., Ltd. which are to be entered into among the Company and its controlling shareholder Xiamen

Port Holding, Xiamen Xiangyu Logistics Group Corporation, Xiamen ITG Group Corp., Ltd., and New World (Xiamen) Port Investments Limited, so as to integrate the assets and businesses of the related container terminals in Xiamen port. On the same day, the above agreement, contract and the articles of association were formally signed. The foregoing transactions shall be subject to the approval at the general meeting of the Company and the approval procedures by relevant government authorities in accordance with the relevant laws and regulations, details of which are set out in the announcement of the Company dated 25 February 2013.

PROSPECTS

The year of 2013 plays an important role and acts as an interface for the "Twelfth Five-year Plan" of China. Looking forward to 2013, the foreign trade of China will develop in a moderately better environment than the year of 2012, while it will still face constraints on the steady recovery, as the world economy and trade are in lack of momentum of growth, continued fluctuations in the international financial and commodity markets, and the trade frictions may worsen. Therefore, it is expected that the foreign trade of China will be difficult to achieve the sustained high growth as in the previous years. In response to the complicated local and overseas economic environment, the Chinese government will continue to implement active fiscal policies and stable monetary policies, actively and prudently promote urbanization, foster effective consumption growth points, and implement structural tax reduction policies, which are expected to benefit the growth of the domestic demand and trade of China. In such regards, the Chinese government anticipated that the growth rate of its national economy will be approximately 7.5% in 2013, and both the Fujian provincial government and Xiamen municipal government forecast that their local national economy will grow by approximately 11%, and the growth rates of the exports of foreign trade of Fujian Province and Xiamen City will be approximately 5% and 7% 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, though the operation of the relevant new terminals in Haicang port area will have certain impact on the businesses of the relevant jointly-invested terminals under the Group, it is expected that the businesses of the terminals in Xiamen port under the Group shall be phased into the track of healthy development accompanied with the smooth advancement and implementation of the resources integration project of the relevant container terminals in Xiamen port.

As a result of the above factors, the Company expected that the development of port business in 2013 will face both challenges and opportunities, with a complicated overall situation. Therefore, the Company will continue to look for steady progress in 2013 by focusing on enhancing the business volume of ports and economic efficiency, while expanding markets, improving internal management, intensifying integration and innovation, and promoting the operation performance of the Group so as to enhancing the overall value of the Company. The Group plans to implement the following measures in 2013:

- To deepen joint marketing. The Group will fully take advantages of its comprehensive and integrated logistics service chain of the ports and its strong capability in offering overall ancillary services as well as our comprehensive platform to strengthen the business synergies and enhance its external competitiveness. Firstly, the Group will strengthen the linkage among its terminals, including linkage among foreign trade terminals and linkage between domestic and foreign trade terminals. Secondly, the Group will strengthen the linkage between its terminal operations and ancillary value-added port services, and promote the integration of the business chain. Thirdly, the Group will strengthen the linkage between the Group and its connected companies. Through these measures, the Group will increase its overall business volume and consolidated income.

- Focus on scale-up operation. Relying on the construction of the South-East International Shipping Centre, the Group will carry out work in firmly holding the shipping rights, exploring potential and fostering growth points. Firstly, the Group will pool its resources to booster the development of container business, firmly hold the shipping rights and strive to ensure its market share. This mainly include: to further strengthen strategic cooperations with ship owners by attracting them to open new shipping routes and add new shipping; to energetically develop foreign trade container business both in near-sea and ocean-going, especially the transshipment business and sub-route business; to grasp the opportunity of potential increase of domestic demand in 2013 to actively develop the domestic trade container business and build the large transshipment system for domestic trade; to grasp the opportunity of all full duty-free for the ECFA early harvest list across Straits and to actively cooperate with ship owners in developing cross-strait business. Secondly, the Group will explore the internal potentials to enhance the operation capacity of the bulk/general cargo terminals and increase the business volume. This mainly includes: to explore the operation capacity of Dongdu Terminal by tidying up the depot and warehouse and speeding up goods turnover rate; to explore the operation capacity of berth No. 8 in Haicang port area by leveraging on the shortage of general cargo berth in Haicang Bonded Port, so as to create greater benefits; to forge a scientific business layout after the resumption of the relevant land and assets of Dongdu berths No. 1 to No. 4, thus preventing the domestic container business and general cargo business from significant impact. Thirdly, the Group will identify and cultivate new growth points, expand the value-added services of port business chain, achieve the extension and synergies of the logistics service chain and especially ensure a close linkage between the terminal business and logistics business in Haicang Bonded Port, so as to seek development opportunities.

- To further implement the overall layout of the hinterland strategy. Firstly, Based on Haiying Port, the Group will increase the investment in logistics business at Fuzhou transit base (including the construction of depots), so as to facilitate the collaboration with the relevant terminals in Fuzhou and Xiamen and expand the Fuzhou-Xiamen domestic sub-route business. Secondly, the Group will carry forward the projects of XPD such as in the land-based port projects of Sanming and Ji'an, Chaozhou Xiaohongshan terminal and Sanbaimen new port area project. Thirdly, the Group will support the related companies to conduct domestic sub-route business in ports such as Wenzhou port and Ningde port on the basis of existing Fuzhou and Shantou outlets. Fourthly, the Group will strive to make a breakthrough in the operation of the terminal in Liuwudian port area, so as to make the terminal business closer to the concentrated place of cargo sources, and facilitate the shifting of Quanzhou container business to Liuwudian to enhance its competitiveness.

- To fully implement the integration of port resources. On one hand, proactively carry forward the Group's internal and relevant government procedural approving work in a coordinating way; on the other hand, make proactive preparation for the personnel, asset and business, etc. of the projects. Through the resources integration of the related container terminals, to optimize the function layout of terminals and the allocation of resources, promote large-scale operation of container business, effectively improve the efficiency and lower the costs, so as to benefit the shareholders, clients and society, and more transshipment operations will be attracted to Xiamen port and therefore Xiamen's prospects of becoming the South-East International Shipping Centre will be strategically enhanced.

- To enhance the precision management. Firstly, proactively strengthen internal management, through combining the construction of the Group's internal control project, to improve the internal control management system of the Company in all directions and upgrade the management level; Secondly, make innovations to the management system, improve the general management of categorized funds which internally implemented by the Group through taking full advantage of the financing platform as a listed company, so as to enable the management of the asset and fund work more efficiently, which ensure to meet the capital need of integration of port resources and logistics business investment; Thirdly, strengthen tax planning, save energy consumption and reduce emission, strictly control various cost, and carry out the precision management in each details like manufacture operation, cost control, etc, so as to promote effectiveness by management.

- To enhance the service assurance level. Firstly, accelerate the process of projects and enhance the service capacity. The key point is to promote the port development and speed up the construction of berths No.20 and No.21 in Haicang port area, so as to promote the operational capacity of the bulk/general cargo business; to ensure the basically completion of the reinforcement and reconstruction project of the berths No.1 to No.6 at Haicang port area in the year of 2013, to equip for the trend of larger-scale carriers domination; to complete the upgrading project of the 35 KV port transformer substation at Dongdu in a short time, so as to guarantee the electricity requirement of the operation in Dongdu port area. Secondly, the Group will explore new business service modes. It will promote the upgrading of port services by in terms of the co-ordination of port integrated logistics business chain and e-commerce, so as to attracting customers by comprehensive logistics services which are more cost-saving, more proficient and more convenient, and to forge the brand of port services. Thirdly, the Company will strengthen cooperation with each member company and enhance service awareness, to ensure that services are in place for each member company through higher work standards and management efficiency, thus enhancing the enterprise vitality.

Corporate Governance Report

The Company continues to pursue excellence and is devoted to raising corporate governance practice to a higher level. The Board fully understands and acknowledges the significance of corporate governance and believes that the implementation of good corporate governance could enhance the transparency of the Company's business and enable accountability towards the shareholders and be in the interest of the shareholders as a whole, resulting in the ultimate success for the Company.

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

With reference to the Corporate Governance Code, this report elaborates the corporate governance practices of the Company for the period from 1 January 2012 to 31 December 2012 (the "Reporting Period") and covers the information in respect of the mandatory disclosure requirements and most of the recommended disclosures set out under Appendix 14 of the Listing Rules. During the Reporting Period, the Company has complied with all code provisions and most of the recommended best practices set out in the Corporate Governance Code (effective 1 April 2012), as well as the former Code on Corporate Governance Practices (effective until 31 March 2012) for the year ended 31 December 2012, and the directors of the Company (the "Directors") are not aware of any non-compliance thereof during such period.

THE BOARD

The Board is accountable to shareholders and operates on the principle of maximizing the Company's profits, the corporate values as well as the returns for shareholders. While fully representing the interests of shareholders and under the terms of reference specified in the Articles of the Company, the Board is responsible for formulating the Company's development strategies and shall facilitate the continuous development of the Group by giving guidance and supervision in respect of the Group's business.

DIRECTORS

During the Reporting Period, the third session of the Board of the Company originally comprised of twelve Directors, including five Executive Directors, namely Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. HUANG Zirong, Mr. FANG Yao 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. The number of Independent Non-executive Directors represented one-fourth of the Board.

Pursuant to the newly introduced Rule 3.10A of the Listing Rules that "an issuer must appoint independent non-executive directors representing at least one-third of the board" which was effective from 1 January 2012 (and which must be complied with by 31 December 2012), the Company resolved to amend the Articles at the 2011 annual general meeting held on 8 June 2012 (see the section titled "Amendments to the Articles" below in this Corporate Governance Report). Pursuant to the relevant provisions of the amended Articles of the Company, the number of the Board members of the Company has been adjusted from 12 to the range of 9 to 15, and the number of Independent Non-executive Directors shall represent at least one-third of the Board. As a result, at the third extraordinary general meeting in 2012 held on 28 December 2012, the shareholders have resolved to appoint Mr. LIN Pengjiu and Mr. HUANG Shumeng as Independent Non-executive Directors of the third session of the Board for a term commencing immediately from the conclusion of the said extraordinary general meeting and until the date of expiry of the third session of the Board on 27 February 2014. Accordingly, the number of members for the third session of the Board has been increased from 12 to 14, among which the number of Independent Non-executive Directors (five) represents more than one-third of the Board.

Accordingly, as of 31 December 2012, the Directors are as follows:

Executive Directors:

Mr. LIN Kaibiao *(Chairman)*
Ms. MIAO Luping
Mr. HUANG Zirong
Mr. FANG Yao
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
Mr. LIN Pengjiu
Mr. HUANG Shumeng

THE SUPERVISORY COMMITTEE

The third 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. YAN Tengyun, 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.

Accordingly, as of 31 December 2012, 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 Directors and Supervisors are set out on pages 62 to 73 of this annual report and on the Company's website at http://www.xipc.com.cn.

The Board of the Company has a well-balanced composition. Executive Directors, Non-executive Directors and Independent Non-executive Directors possess professional skills required for performing their duties as well as extensive experience in port terminal operation, corporate management, finance, laws, investment, financing, and other relevant fields, and perform their duties honestly, faithfully and diligently. The Board is capable of making independent judgments to allow the Board to make cautious and prudent decisions.

During the year ended 31 December 2012, the Company has complied with the relevant requirements of Rule 3.10 of the Listing Rules by having two Independent Non-executive Directors 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 the status of independence as defined in the Listing Rules.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the management of the business and affairs of the Group, aiming at enhancing the value of the shareholders. The Board is also responsible for formulating the Company's corporate governance policy and performing the corporate governance duties 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 publish inside information and other financial disclosure as and when required by the Listing Rules, and to report any discloseable information to regulatory authorities in accordance with statutory requirements.

The Board has fiduciary and statutory obligations 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;
- undertaking major acquisitions and disposals, formation of joint ventures and entering into capital transactions; and
- formulating the Company's corporate governance policy and performing the corporate governance duties.

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.

On 27 March 2012, certain changes were made to the management of the Company at the 10th meeting of the third session of the Board of the Company: Mr. HUANG Zirong was appointed as the General Manager of the Company, who formerly acted as the Deputy 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 continued to be the Deputy General Managers of the Company and Mr. CHEN Zhaohui was appointed as a Deputy General Manager of the Company. Accordingly, as of 31 December 2012, the senior management of the Company includes HUANG Zirong (General Manager), HONG Lijuan (Deputy General Manager), YANG Hongtu (Deputy General Manager) and CHEN Zhaohui (Deputy General Manager).

The roles of the Chairman and the General Manager have been separated. There is a clear division of responsibility between them. The roles of the Chairman and the General Manager have been performed by different individuals to ensure their respective independence, accountability and the well-balanced power and authority. The Chairman, Mr. LIN Kaibiao, 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, Mr. HUANG Zirong, assumes the responsibility to perform the above duties and the other management duties in accordance with the relevant requirements of 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 member 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 appointments. 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 the year of 2012, 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 also borne by the five Independent Non-executive Directors of the Company. In addition, each of the Independent Non-executive Directors also plays an important role on the Board and four professional committees under the Board, of which three of these are chaired by three of them respectively, in order to promote good corporate governance in respect of financial audit and internal control, remuneration management, strategic planning and the Board structure. 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 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.

Since April 2012, 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 will 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, and provide each Director with the relevant information in respect of the operation, management and finance of the Company on a monthly basis in accordance with the Listing Rules to ensure that the Directors have readily available information in making reasoned decisions and fulfilling their functions and responsibilities. During the Reporting Period, all Directors have 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 agendas) of Board meetings were dispatched to all Directors at least 14 days in advance during the year of 2012. In respect of the extraordinary Board meeting, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting was convened.

Before each Board 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 their motions in the meeting agenda. 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 the opportunity to present his or her own opinion to the Chairman before the meeting is held and is also allowed to attend by teleconference or authorize other Directors 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 make relevant declaration in advance and abstain from voting on such resolution.

During the year of 2012, the third session of the Board has held thirteen meetings. 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	13/0	100%
MIAO Luping	13/0	100%
HUANG Zirong	12/1[a]	100%
FANG Yao	12/1[b]	100%
HONG Lijuan	13/0	100%
Non-executive Directors		
ZHENG Yongen	13/0	100%
CHEN Dingyu	12/1[c]	100%
FU Chengjing	13/0	100%
KE Dong	12/1[d]	100%
Independent Non-executive Directors		
LIU Feng	13/0	100%
ZHEN Hong	11/2[e]	100%
HUI Wang Chuen	13/0	100%
LIN Pengjiu[f]	1/0	100%
HUANG Shumeng[f]	1/0	100%

Note:

a Mr. HUANG Zirong was present in person in twelve of the thirteen Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

b Mr. FANG Yao was present in person in twelve of the thirteen Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

c Mr. CHEN Dingyu was present in person in twelve of the thirteen Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

d Mr. KE Dong was present in person in twelve of the thirteen Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

e Mr. ZHEN Hong was present in person in eleven of the thirteen Board meetings, and the remaining two Board meetings were attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

f Mr. LIN Pengjiu and Mr. HUANG Shumeng were newly appointed as Independent Non-executive Directors of the Company with effect from 28 December 2012, therefore, they only attended one Board meeting in 2012.

The Chairman is responsible for conducting the procedures of the Board meetings to 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.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, with the support of the Company Secretary, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Newly appointed Directors also received external induction training on relevant compliance, regulatory and legal matters for directors of companies listed in Hong Kong before their respective appointment became effective. They also provided a record of training they received during the Reporting Period to the Company Secretary.

COMMITTEES ESTABLISHED UNDER THE BOARD

Four committees were set up under the Board by the Company to assist with the performance of its duties and to facilitate effective management, namely the Nomination Committee, the Audit Committee, the Remuneration Committee and the Business Strategy Committee, and the Board has delegated certain functions to each of these 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. In accordance with the provisions of the Corporate Governance Code, the Company has amended the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee, which have been adopted at the 10th meeting of the third session of the Board of the Company.

Particulars of the above-mentioned Committees are set out below and their respective terms of reference are also published on the Company's website at www.xipc.com.cn. The terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee are also published on the website of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

NOMINATION COMMITTEE

The first session of the Nomination Committee of the Company consisted of three members, including the Chairman and the Executive Director, Mr. LIN Kaibiao, and two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. HUI Wang Chuen, and was chaired by Mr. LIN Kaibiao.

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.

During the Reporting Period, the Nomination Committee of the Company held a total of two meetings, mainly for conducting the following businesses: reviewing the amendments to the terms of reference of the Nomination Committee of the Company and the procedures for the candidates nominated by the shareholders of the Company for election as the Directors; reviewing the structure of the Board and assessing the independence of the Independent Non-executive Directors; and making recommendations to the Board in respect of the nomination of Mr. HUANG Zirong as the General Manager of the Company and the nomination of Mr. LIN Pengjiu and Mr. HUANG Shumeng as the Independent Non-executive Directors of the Company.

During the Reporting Period, the members' attendance records of the meetings of the first session of the Nomination Committee are as follows:

Members of the Nomination Committee	Number of committee meetings attended in person/by proxy	Attendance Rate
LIN Kaibiao	2/0	100%
LIU Feng	2/0	100%
HUI Wang Chuen	2/0	100%

NOMINATION OF DIRECTORS

All intended candidates for directorship of the Company 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 reelection) 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; and

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

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the Company consisted of three members, including two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. ZHEN Hong and one Non-executive Director, Mr. FU Chengjing, and was chaired by Mr LIU Feng. 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, 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 during the year of 2012.

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 and reviewing its performance, 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 reviewing the Company's internal control procedures and its effectiveness.

During the Reporting Period, the Company's Audit Committee held a total of two meetings, mainly for conducting the following businesses: reviewing the amendments to the terms of reference of the Audit Committee of the Company and 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 2011 and the interim report on interim results for the six months ended 30 June 2012; 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 and submitting recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2012.

During the Reporting Period, the members' 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	2/0	100%
FU Chengjing	2/0	100%

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee of the Company consisted of three members, including two Independent Non-executive Directors, Mr. HUI Wang Chuen and Mr. LIU Feng and one Non-executive Director, Mr. CHEN Dingyu, and was chaired by Mr HUI Wang Chuen.

The Board has adopted the terms of reference of the Remuneration Committee which comply with the code provisions set out in the Corporate Governance Code. The primary functions of the Remuneration Committee are: to make recommendations to the Board in respect of the policy and structure of the remuneration of the Directors, Supervisors and senior management of the Group, to formulate formal and transparent procedures for such remuneration policy, to review and determine their remuneration levels, and to make recommendations to the Board in respect of 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 held one meeting to review the amendments to the terms of reference of the Remuneration Committee of the Company, and review and approve the Directors', Supervisors' and senior management's remuneration, including the granting of annual bonus. Before determining the remunerations and benefits (including salary and bonus), the Remuneration Committee has taken full consideration of factors such as the comparable remuneration level of similar companies in the mainland of PRC, and the time commitments, 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 the 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	1/0	100%
CHEN Dingyu	0/1[a]	100%
LIU Feng	1/0	100%

a Mr. CHEN Dingyu was away from Xiamen for his business trip when the Remuneration Committee meeting was held, so the Remuneration Committee meeting was voted on his behalf by authorized Independent Non-executive Director, Mr. LIU Feng.

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 by the shareholders after it has been approved by the Board before its implementation. The emoluments paid to each Director by the Company for the year ended 31 December 2012 are set out in Note 36 to the financial statements.

BUSINESS STRATEGY COMMITTEE

During the Reporting Period, the Business Strategy Committee of the Company consisted of six members, including one Independent Non-executive Director, Mr. ZHEN Hong, and three Executive Directors, namely Mr. LIN Kaibiao, Ms. MIAO Luping and Mr. FANG Yao, and two Non-executive Directors, namely Mr. CHEN Dingyu and Mr. FU Chengjing, and was chaired by Mr ZHEN Hong.

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 2012, The Business Strategy Committee of the Company held one meeting in respect of discussing and reviewing business schedule issues of 2012. 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 the 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	1/0	100%
LIN Kaibiao	1/0	100%
MIAO Luping	1/0	100%
FANG Yao	1/0	100%
CHEN Dingyu	1/0	100%
FU Chengjing	1/0	100%

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 2011 annual general meeting held on 8 June 2012, for a term until the expiration of the forthcoming annual general meeting.

For the year ended 31 December 2012, the total remuneration paid and payable to the external auditors by the Company amounted to RMB2,660,000, exclusively for audit services. Furthermore, the Company paid RMB500,000 to PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch (普華永道諮詢(深圳)有限公司上海分公司) as the consulting service cost for internal control. Except the above mentioned, the Company did not pay any fees for non-audit services to the external auditors.

INTERNAL CONTROL

Maintaining a high level of monitoring environment has always been a top priority of the Group, and 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 2012, 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 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 identified by or reported to the Board during the Reporting Period.

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 safety of the Company's assets. During the year of 2012, the Company appointed PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch to provide consulting service in the process of carrying out the standardized construction work for the internal control system for the Company and the related enterprises under the Company, so as to improve the internal control system and promote the corporate governance. The details of such measures of the internal control of the Company 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 2012, 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 2011, 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 2012.

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 all the relevant audit works of the 2012 Internal Audit Plan considered and agreed by the Audit Committee were completed, the Company conducted a special audit and internal control inspection on the internal control systems or projects including the internal process for the related contract management, the execution of the contracts, and the accounts receivables 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 agency 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 efforts to promote the safety standards to all posts.

In addition, the management of the Group also pays special attention to and places great importance on monitoring activities with higher risks, including other matters such as trading business and accounts receivables, etc.

(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 as the code on corporate governance practices of the Company, 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 inside 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 inside 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 non-exhaustive name list of connected parties. 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.

In addition, the Company made corresponding amendments to the Articles (see the section titled "Amendments to the Articles" below in this Corporate Governance Report) to reflect the newly introduced Rule 3.10A of the Listing Rules and appointed two Independent Non-executive Directors at the third extraordinary general meeting of the Company on 28 December 2012 in accordance with the Articles, which increases the number of Independent Non-executive Directors of the Company to represent at least one-third of the Board, and to strictly comply with the relevant new requirements of the Listing Rules. Meanwhile, in accordance with the code provisions of the Corporate Governance Code, the Company has also revised the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee under the Board and published such revised terms of reference, as well as the relevant information about the Articles of the Company, list of the Directors and their roles and functions, and the procedures for shareholders to propose a person for election as a Director on the Company's website and the website of the Hong Kong Stock Exchange.

(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. Based on the risk management system documents prepared by the Group, with the assistance of the Beijing Puxin Management Consultancy Company (北京普信管理諮詢公司) during the year of 2011, the Group engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch to provide consulting service to the Company in the process of further improving the construction of its internal control system during the Reporting Period. In accordance with "*Basic Standard for Enterprise Internal Control*" and its related guidelines issued by the Ministry of Finance, National Audit Office and Securities Regulatory Commission of the PRC, the Group further identified various major risks faced by the production, commerce, finance, investment, and information management business of the Company, refined critical control point, further improved relevant flow chart for the major business processes, internal control matrix and control document, standardized and strengthened the internal control requirements through internal control matrix, matching the internal control matrix with the aforementioned related guidelines of the "*Basic Standard for Enterprise Internal Control*", so as to enhance the risk prevention capability of the Group.

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, 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. After the Company has made specific enquiry of all Directors, Supervisors and senior management and obtained specific confirmations by them, the Company confirmed 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 thereof.

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 2012, 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 90 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 believes that communication with shareholders on a regular and timely basis will help our shareholders to understand our business better.

The Company considers that annual general meetings are a forum at which shareholders can directly 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 code provisions 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 Chairman of each of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee and the Business Strategy Committee as well as the Company's auditors will use their best endeavour to attend the annual general meetings to answer shareholders' questions. During the year of 2012, the Company convened four general meetings, namely the 2011 annual general meeting and the first, second and third extraordinary general meeting in 2012. The attendance of each Director of the Company is set out below:

Members of the Board	Attendance of general meeting	Attendance Rate
Executive Directors		
LIN Kaibiao *(Chairman of the Nomination Committee)*	4	100%
MIAO Luping	4	100%
HUANG Zirong	4	100%
FANG Yao	3[a]	75%
HONG Lijuan	4	100%
Non-executive Directors		
ZHENG Yongen	3[b]	75%
CHEN Dingyu	3[b]	75%
FU Chengjing	3[b]	75%
KE Dong	3[c]	75%
Independent Non-executive Directors		
LIU Feng *(Chairman of the Audit Committee)*	4	100%
ZHEN Hong *(Chairman of the Business Strategy Committee)*	3[d]	75%
HUI Wang Chuen *(Chairman of the Remuneration Committee)*	1[e]	25%
LIN Pengjiu[f]	—	—
HUANG Shumeng[f]	—	—

a Mr. FANG Yao was present in person in three of the four general meetings, being not present at the first extraordinary general meeting in 2012 during his business trip away from Xiamen;

b Mr. ZHENG Yongen, Mr. CHEN Dingyu and Mr. FU Chengjing all were present in person in three of the four general meetings, all being not present at the second extraordinary general meeting in 2012 during their business trip away from Xiamen;

c Mr. KE Dong was present in person in three of the four general meetings, being not present at the third extraordinary general meeting in 2012 during his business trip away from Xiamen;

d Mr. ZHEN Hong was present in person in three of the four general meetings, being not present at the 2011 annual general meeting during his business trip away from China;

e Mr. HUI Wang Chuen was present in person in one of the four general meetings, being not present at the 2011 annual general meeting, the second and the third extraordinary general meeting in 2012 during his business trip away from Xiamen;

f Mr. LIN Pengjiu and Mr. HUANG Shumeng were appointed as Independent Non-executive Directors with effect from 28 December 2012 and no general meeting was held thereafter.

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 at 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 places great emphasis on communication with investors. The Company Secretary, who is responsible for the investor relationship of the Company as well as external information disclosure and communication, shall arrange or assist the relevant Executive Directors and senior management to meet with institutional investors and analysts, enabling them to understand the latest developments of the Company and to make timely responses to any inquiries. Through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, the Company can maintain close communication with the investors, media, analysts and fund managers in order to enhance the investors' understanding on the relevant information relating to the Group's operating and financial performance.

The Company has adopted and implemented a fair, transparent and timely disclosure policies and practices. Prior to any particular meeting with investors or analysts is convened, all price sensitive information or data should have been announced to the public in accordance with the disclosure polices and practices of the Company. The Company provides the overall information of the Group's business, business strategy and development in its annual and interim reports, and results announcements. The Company also timely issued 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 Hong Kong Stock Exchange, which enables shareholders and investors to grasp the Company's latest operating conditions and developments instantly. They can also make enquiries to the Company through its Investor Relationship webpage (the contact details are set out in the Company's website).

Amendments to the Articles

During the year of 2012, the Company has made two amendments to the Articles, details of which are set out below:

1. The Company approved the amendments to certain provisions of the Articles by special resolution proposed at the 2011 annual general meeting held on 8 June 2012, so as to reflect certain changes as a result of the following reasons: (1) Pursuant to *the Port Law of PRC, the Regulations on the Administration of Port Business* and other relevant laws and regulations, the Company has applied to the Xiamen Port Authority for the renewal of the Port Operation License, where the Xiamen Port Authority has promulgated a set of standard language for the scope of business and operation to be stated in the Port Operation License. Although such standard language has no substantial difference from the original language currently adopted by the Company, the Board considers that it is appropriate to amend the provisions relating to the "Business Scope" of the Company in the Articles so as to keep in line with such standard language; and (2) Given that the total number of the Company's Independent Non-executive Directors was fixed at three, representing only one-fourth of the Board, the provision relating to the composition of the Board contained in the Articles is required to be amended so as to comply with Rule 3.10A of the Listing Rules, pursuant to which an issuer must appoint Independent Non-executive Directors representing at least one-third of the board of directors by 31 December 2012. The contents of such amendments to the Articles are set out below (details of which can be found in the relevant circular published on 19 April 2012):

   (1) The original contents of Article 10 Subclause 2:

   "The scope of business of the Company is: operating ports and other port facilities; providing services for cargo loading and unloading, lighterage and storage; operating port tugboat; providing leasing and repairing services for port machines, facilities and equipments;

providing port services for vessels (business subject to examination and approval required by law and administrative regulations can be conducted only after such examination and approval is duly obtained.)"

The amended Article 10 Subclause 2:

"The scope of business of the Company is: 1. to provide port facilities for vessels; 2. to provide services for cargo loading and unloading, lighterage and storage, and logistics within the port area; to load and upload container, to pile containers and to dissemble containers; 3. to provide pushing or dragging services for vessels to enter or exit the port, to berth or to shift at the port; 4. to provide port services to vessels; to provide electricity to vessels; 5. to provide leasing services for port machines, facilities and equipments. (Business subject to examination and approval required by law and administrative regulations can be conducted only after such examination and approval is duly obtained.)"

(2) The original content of Article 88:

"The Company shall establish a board of directors which shall consist of twelve (12) directors and have one (1) chairman, one (1) to three (3) vice-chairmen and eight (8) to ten (10) directors, of which three (3) are independent (non-executive) directors.

There shall be nine (9) external directors (those who do not assume any position in the Company) among the twelve (12) directors."

The amended Article 88:

"The Company shall establish a board of directors which shall consist of not less than nine (9) but not more than fifteen (15) directors, and shall have one (1) chairman, one (1) to three (3) vice-chairmen, of which independent non-executive directors shall represent at least one-third of the members of the board of directors. External directors (those who do not assume any position in the Company) shall represent at least half of the members of the board of directors."

2. The Company approved the amendments to the Articles by special resolution at the Second Extraordinary General Meeting in 2012 held on 16 October 2012, so as to reflect the proposed change of the Company's registered address as pursuant to the "*Notice of Publication of the Comprehensive Reform Pilot Program for the Deepening of Cross-Strait Exchanges and Cooperation in Xiamen City*" issued by the National Development and Reform Commission of the PRC on 21 December 2011, Xiamen City will facilitate the development of Xiamen into the South-East International Shipping Centre in China. In order to grasp the business opportunities expected to be provided by such development and utilize the relevant preferential policy of Haicang Bonded Port, the Board therefore proposed to change the registered address of the Company to 439# Gangnan Road, Haicang District, Xiamen City. The contents of such amendments to the Articles are set out below (details of which can be found in the relevant notice published on 31 August 2012):

   The original content of Article 3:
   "The Company's address: 127# Dongdu Road, Xiamen City
   Telephone number: (0592) 5829005
   Fax: (0592) 6010034
   ZIP code: 361012"

   The amended Article 3:
   "The Company's address: 439# Gangnan Road, Haicang District, Xiamen City
   Telephone number: (0592) 5829478
   Fax: (0592) 5613177
   ZIP code: 361026"

The Company has completed all the registration and filing procedures regarding the aforesaid two amendments to the Articles and the change of the Company's registered address in accordance with the applicable laws and regulations of the PRC and Hong Kong, as well as relevant requirements of the Listing Rules.

While upholding the principles of transparency, integrity, fairness and openness, the Company will devote to improving the level of investor relationship and actively collect feedback from related parties such as investors. The Company will also continue to enhance its corporate governance level with reference to its accumulated experience and the changes in regulatory policies and to strive for the best practice standards, and hence support the sustainable and healthy development of the Company.

By Order of the Board

LIN Kaibiao
Chairman

Xiamen, the PRC
21 March 2013

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. LIN Kaibiao, aged 47, 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 49, 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 53, 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 50, 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.

Biographies of Directors, Supervisors and Senior Management

Ms. HONG Lijuan, aged 49, 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 55, 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 56, 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 51, 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 53, 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 47, 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 55, 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 69, 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. LIN Pengjiu, aged 47, is an Independent Non-executive Director of the Company since 28 December 2012. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor of Engineering Degree in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in Laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He has been a full-time lawyer, partner and manager of Liaoning Tytop Law Firm since the end of 2008. He also acts as an arbitrator of the China Maritime Arbitration Commission, Vice President of Liaoning Province Maritime Law Institute, legal consultant for the Dalian Municipal Government, member of the Dalian Administrative Review Committee, council member of Dalian Lawyers Association, Vice President of the Supervisory Commission of the Dalian Maritime University Si Yuzhuo Maritime Law Education Fund, member of the Maritime Committee of All China Lawyers Association, and member of the Rescue and Salvage Committee of the China Maritime Law Association.

Mr. HUANG Shumeng, aged 51, is an Independent Non-executive Director of the Company since 28 December 2012. Mr. Huang graduated from the Department of Oceanography of Xiamen University with a Bachelor of Science Degree in July 1983, and obtained a Master Degree and a Doctoral Degree in Economics from the Department of Finance of Xiamen University in July 1995 and 2001 respectively. He is an associate professor and a senior economist. He served in Unit 32417 of the People's Liberation Army of the PRC as a deputy company commander and political officer from July 1983 to June 1987. Mr. Huang also taught at Xiamen University from July 1987 to December 1993. He was a manager and assistant to the general manager of the investment banking department of Xiamen C&D Corporation Limited from January 1994 to May 2001. From June 2001 to August 2003, he was the general manager of the securities department in China Eagle Securities Company Limited. He has been the Deputy Director of the Department of Finance and the Deputy Head of the Faculty of Finance and Economics of Jimei University since September 2003.

SUPERVISORS

Mr. YAN Tengyun, aged 59, 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 58, 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 50, 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 54, 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 47, 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 38, 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 2011.

COMPANY SECRETARY

Ms. HONG Lijuan, aged 49, 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 38, 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 44, 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 legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd from May 2003 to October 2006. He acted as an executive director and legal representative of Xiamen Port Power Supply Service Co., Ltd since August 2012. 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 43, 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.

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 2012 (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, unloading and storage 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 presented 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 during the year of 2012.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 96.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB5.5 cents per share (tax inclusive), aggregating RMB149,941,000 (tax inclusive) to all shareholders whose names appeared on the Register of Members on 12 June 2013, subject to the consideration and approval of the same at the forthcoming annual general meeting to be held on 31 May 2013.

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 RMB429,900 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2012:

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) the 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 2012, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB123,392,000. 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 implement 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

On 12 October 2012, the Group entered into the relevant land resumption agreements or the compensation agreements with the Land Development Centre, pursuant to which the Land Development Centre implemented land resumption of an area of approximately 378,000 m^2 and the related assets at Dongdu Terminal of the Group, details of which are set out in the section titled "Management Discussion and Analysis" in this annual report.

The Group did not make any major acquisition or disposal of its subsidiaries, jointly controlled entities and associated companies during the Year.

DIRECTORS AND SUPERVISORS

During the Year, the third session of the Board of the Company originally comprised of twelve Directors, including five Executive Directors, namely Mr. LIN Kaibiao (Chairman), Ms. MIAO Luping, Mr. HUANG Zirong, Mr. FANG Yao 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. Pursuant to the relevant requirements of the Articles as approved and amended at the 2011 annual general meeting of the Company held on 8 June 2012, the shareholders have resolved to appoint Mr. LIN Pengjiu and Mr. HUANG Shumeng as the Independent Non-executive Directors of the third session of the Board at the third extraordinary general meeting in 2012 held on 28 December 2012. Therefore, the number of members of the third session of the Board has been increased from 12 to 14 (details of which are set out in the section titled “Corporate Governance Report” in this annual report).

Accordingly, as of 31 December 2012, the third session of the Board comprised of fourteen Directors, including five Executive Directors, namely Mr. LIN Kaibiao (Chairman), Ms. MIAO Luping, Mr. HUANG Zirong, Mr. FANG Yao and Ms. HONG Lijuan; four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong; and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. ZHEN Hong, Mr. HUI Wang Chuen, Mr. LIN Pengjiu and Mr. HUANG Shumeng, among which, the number of Independent Non-executive Directors (five) accounts for more than one-third of the Board (fourteen Directors), complying with the amended relevant requirements of the Listing Rules.

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

According to the Articles, all Directors and Supervisors are appointed for a term of three years and subject to re-election upon the expiry of their terms. Besides, there is no requirement of retirement by rotation in the Articles.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the Company had already entered into a service contract with the Company respectively for a term of not more than three years until the expiry of the term of the third session of the Board or the Supervisory Committee.

The Company did not enter into any service contract with any Director or Supervisor which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Other than the service contracts, 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, at the end of the Year or any time during the Year.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the existing Directors, Supervisors and senior management of the Company as at the date of this report are set out on pages 62 to 73.

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 2012, 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 were required to be notified to the Company and the Hong Kong 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 Hong Kong 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 the businesses of the Company or the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2012, to the best of the knowledge of the Directors, 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 should 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 corporation	8.00%	2.89%
China Shipping (Hong Kong) Holdings Co., Limited	H Shares	78,894,000* (Long position)	Interest of controlled corporation	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 2012, to the best of the knowledge of the Directors, 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 were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 2012, the Company has entered into and completed the following one-off connected transactions:

In accordance with the equity transfer agreement entered into between the Company and APMT on 5 December 2011, the Company completed all relevant formalities for the acquisition of 25% equity interest in Songyu Terminal from APMT pursuant to the terms and conditions of the equity transfer agreement on 14 May 2012. The consideration of the transaction is RMB530,000,800. For details, please refer to the announcements of the Company dated 5 December 2011 and 14 May 2012 or the section titled "Management Discussion and Analysis" in the 2012 interim report of the Company.

Besides, in 2012, due to its operation demands, 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 the "Xiamen Port Holding Group") and certain other connected parties outside the Group during the Year. The table below sets out the summary of the Group's non-exempt continuing connected transactions:

Services	Connected Parties	2012 Proposed annual cap (RMB)	2012 Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding	88,000,000	52,773,000
B. Logistics property services	Xiamen Port Holding	10,930,000	10,898,000
C. Comprehensive services	Xiamen Port Holding	34,500,000	25,192,000
D. Construction project management*	Xiamen Port Holding	4,000,000	–
E. Port facilities engineering and construction	Xiamen Port Holding	31,500,000	16,100,000
F. Port-related labour services	Xiamen Port Holding	43,200,000	30,314,000
G. Electrical equipment maintenance	Xiamen Port Holding	25,300,000	3,667,000
H. Port services	COSCO Container Lines Co., Ltd	110,500,000	85,665,000
I. Power supply and maintenance	Xiamen Port Holding	18,700,000	11,566,000
J. Port services (received from Songyu Terminal by the Group)	Songyu Terminal	48,000,000	17,716,000
K. Port services (paid to Songyu Terminal by the Group)	Songyu Terminal	48,000,000	42,640,000
L Port services	Xiamen Gangwu Haiyun Co., Ltd.	15,000,000	11,890,000
M. Information services	Xiamen Port Holding	11,000,000	6,082,000

* The Group did not have this kind of connected transaction for the year ended 31 December 2012.

The Company has complied with the requirements of the waivers granted by the Hong Kong 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 the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the 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 Company's 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 Hong Kong 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 situation. According to the statistics, for the Year, the aggregate corporate contribution of the Group to the corporate annuity was approximately RMB6,910,000, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB332,000.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As of 31 December 2012, the forfeited contribution available for the use of the Group amounted to RMB525,218.50. 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 2012, 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 City, 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 corporate income taxes of a foreign investment enterprise so exempted or reduced shall be repayable.

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. ("Xiamen Agency", a subsidiary of the Company) on 15 December 2010, by the year ending 31 December 2013, Xiamen 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 the relevant policies issued by the PRC government, within 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%. With the exception that the Company was subject to 50% corporate income tax concessions in 2012 as mentioned above, XHICT was subject to an income tax of 12.5% in 2012 and the Xiamen Agency was subject to an income tax of 15%, the members of the Group were subject to corporate income tax of 25% in 2012, and 25% (the statutory tax rate) for the years thereafter.

Since 1 November 2012, Xiamen City was set as the pilot city of the reform from business tax to value-added tax, while the port industry was within the scope of the pilot reform, in which a value-added tax rate of 11% is applicable to the general taxpayers in the transportation industry (including land transport and water transport services, etc) and a value-added tax rate of 6% is applicable to the general taxpayers of other modern services industries (including logistics auxiliary services such as port terminal service, cargo transport agency service, storage service and loading, unloading and transport services). Therefore, the main applicable value-added tax rates of the Company and its subsidiaries were 6% or 11%. In addition, according to the relevant provisions issued by Ministry of Finance and the State Administrative of Taxation, for the units in the above-mentioned pilot region, the taxable services including the provision of logistics auxiliary services to oversea units are exempted from value-added tax. As a result, with the consent given by the branch office of the State Tax Administration in Xiamen City, the profit of the Company and some of its subsidiaries generated from the provision of logistic auxiliary services to oversea clients was exempted from value-added tax.

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 a whole. For the year ended 31 December 2012, the Company has been in compliance with the code provisions and most of the recommended best practices of the Corporate Governance Code (effective 1 April 2012) as well as the former Code on Corporate Governance Practices (effective until 31 March 2012) 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
21 March 2013

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd:

According to the provisions of the Articles, in the year of 2012, the Supervisory Committee of the Company is comprised of six members, namely Mr. YAN Tengyun (Chairman of the Supervisory Committee), Mr. LUO Jianzhong, Mr. WU Jianliang and Mr. Wu Weijian (staff representative Supervisors), and Mr. TANG Jinmu and Mr. XIAO Zuoping (independent Supervisors).

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

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2012

In the year of 2012, all members of the Supervisory Committee of the Company had been keeping their promises and discharging their supervisory duties faithfully pursuant to the provisions of the Company Law, the Listing Rules, the Articles and other applicable laws and regulations on the basis of diligence and integrity, so as to safeguard the interests of the Company and the shareholders as a whole.

In the year of 2012, the Supervisory Committee of the Company convened two meetings, mainly for reviewing and approving by way of specific resolutions 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.

During the Reporting Period, all members of the Supervisory Committee monitored and reviewed the agendas of the Board meetings and general meetings, the relevant resolutions passed and their implementations by attending all the Board meetings convened in 2012 and all general meetings held during the period, was reported about work and financial position concerning the operations of the Company, reviewed the financial report and audit report and was reported by the external auditors about their auditing of the Company. The Supervisory Committee believes that the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at the general meetings or by the Board.

In the year of 2012, the Supervisory Committee organized and conducted a special inspection on the management of accounts receivable of the relevant entities in the Group, made corresponding advice and recommendations, and urged the relevant entities to further improve the management system of accounts receivable, strengthened the collection of accounts receivable and clarified the specific duties and management measures of each department in the management of accounts receivable, which helped the related entities to enhance the efficiency of accounts receivable management and achieved better results.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2012

1. Operation of the Company in compliance with the law

The Supervisory Committee had strictly monitored to the operation and management of the Company and had carefully monitored and inspected the performance of duties conducted by its Directors and senior management as well as the execution of the Company's internal control system pursuant to the provisions of the applicable laws and regulations and the Articles. During the Reporting Period, the Supervisory Committee had strictly monitored the progress of the relevant internal control consultancy projects of the Company, and facilitated the Company to gradually improve the relevant systems. Meanwhile, the Supervisory Committee had also strictly monitored the management of the accounts receivable, and the Supervisory Committee conducted a special research and inspection on the accounts receivable item of the relevant key entities in the Group during the year. The Supervisory Committee is of the opinion that during the Reporting Period, the Company's operation was normal and standardised and the decision-making procedures were legal, the Company had strictly complied with all the applicable laws, regulations and the Listing Rules, and the internal control system had been implemented strictly and improved continuously. 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 which are detrimental to the interests of the Company.

2. Financial position of the Company

The Supervisory Committee had carefully audited the 2012 financial report, the 2012 profit allocation proposal and the 2012 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 standardized financial management strictly implemented. The 2012 financial report of the Company provides an objective, fair and true view of the financial conditions and operating results of the Company for the Reporting provides. The Supervisory Committee concurred with the auditors' opinions and also approved the 2012 profit allocation proposal of the Company.

3. Connected transactions of the Company

The Supervisory Committee is of the opinion that, during the Reporting Period, the considerations of the transactions in connection with the acquisition or disposal of assets were reasonable, no insider dealings were discovered, and there was 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 which were fair and reasonable and adhering to the principle of fairness, openness and impartiality. These considerations 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 2013, 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 abide by the principle of good faith, 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 of the Supervisory Committee

Xiamen, the PRC
21 March 2013

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 92 to 212, which comprise the consolidated and company balance sheets as at 31 December 2012, 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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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 2012, and of the Group's profit and cash flow 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, 21 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Investment properties	5	**74,363**	63,455
Property, plant and equipment	6	**3,281,472**	3,230,765
Land use rights	7	**985,665**	994,383
Intangible assets	8	**54,789**	55,633
Interests in associates	11	**567,228**	35,766
Available-for-sale financial assets	12	**57,949**	69,487
Long-term receivables and prepayments	16	**140,013**	–
Deferred income tax assets	13	**54,182**	51,926
Total non-current assets		**5,215,661**	4,501,415
Current assets			
Inventories	14	**228,032**	261,274
Accounts and notes receivable	15	**766,396**	647,966
Other receivables and prepayments	16	**268,850**	184,279
Term deposits with initial term of over three months	17	**77,107**	72,097
Restricted cash	18	**414,184**	78,600
Cash and cash equivalents	19	**827,918**	926,176
Total current assets		**2,582,487**	2,170,392
Total assets		**7,798,148**	6,671,807
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**2,726,200**	2,726,200
Reserves	26	**1,392,794**	1,198,298
		4,118,994	3,924,498
Non-controlling interests		**1,152,475**	1,028,148
Total equity		**5,271,469**	4,952,646
LIABILITIES			
Non-current liabilities			
Borrowings	24	**781,216**	291,266
Derivative financial instrument	22	**–**	3,658
Deferred government grants and income	23	**117,708**	115,732
Long-term payables and advances	21	**80,064**	–
Early retirement benefit obligations		**919**	1,962
Deferred income tax liabilities	13	**38,804**	14,827
Total non-current liabilities		**1,018,711**	427,445

	Note	2012 RMB'000	2011 RMB'000
Current liabilities			
Accounts and notes payable	20	**752,417**	645,989
Other payables and accruals	21	**458,815**	473,885
Derivative financial instrument	22	**1,225**	–
Borrowings	24	**266,264**	148,292
Taxes payable		**29,247**	23,550
Total current liabilities		**1,507,968**	1,291,716
Total liabilities		**2,526,679**	1,719,161
Total equity and liabilities		**7,798,148**	6,671,807
Net current assets		**1,074,519**	878,676
Total assets less current liabilities		**6,290,180**	5,380,091

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,334,342**	1,409,613
Land use rights	7	**461,713**	420,606
Intangible assets	8	**2,970**	3,918
Investments in subsidiaries	9	**1,417,633**	1,402,633
Investments in jointly controlled entities	10	**286,628**	286,628
Interests in associate	11	**530,001**	–
Available-for-sale financial assets	12	**53,493**	65,031
Deferred income tax assets	13	**778**	1,082
Total non-current assets		**4,087,558**	3,589,511
Current assets			
Inventories	14	**1,308**	983
Accounts receivable	15	**52,780**	54,119
Other receivables and prepayments	16	**194,363**	191,954
Restricted cash	18	**267,240**	7,240
Cash and cash equivalents	19	**133,247**	291,046
Total current assets		**648,938**	545,342
Total assets		**4,736,496**	4,134,853
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**2,726,200**	2,726,200
Reserves	26	**1,086,425**	1,038,773
Total equity		**3,812,625**	3,764,973
LIABILITIES			
Non-current liabilities			
Borrowings	24	**502,785**	60,804
Derivative financial instrument	22	**–**	3,658
Deferred government grants and income	23	**69,377**	70,955
Long-term payables and advances	21	**24,049**	–
Deferred income tax liabilities	13	**8,840**	11,725
Total non-current liabilities		**605,051**	147,142

	Note	2012 RMB'000	2011 RMB'000
Current liabilities			
Accounts payable	20	**33,756**	13,484
Other payables and accruals	21	**223,502**	205,227
Derivative financial instrument	22	**1,225**	–
Borrowings	24	**57,417**	4,027
Taxes payable		**2,920**	–
Total current liabilities		**318,820**	222,738
Total liabilities		**923,871**	369,880
Total equity and liabilities		**4,736,496**	4,134,853
Net current assets		**330,118**	322,604
Total assets less current liabilities		**4,417,676**	3,912,115

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenues	27	**3,642,048**	3,069,703
Cost of sales		**(3,062,241)**	(2,481,890)
Gross profit		**579,807**	587,813
Other income	27	**88,039**	63,714
Other gains — net	28	**110,549**	3,039
Selling and marketing expenses		**(41,689)**	(32,791)
General and administrative expenses		**(189,289)**	(172,230)
Operating profit		**547,417**	449,545
Finance income	31	**31,342**	21,972
Finance costs	31	**(45,301)**	(24,041)
		533,458	447,476
Share of profits less losses of associates	11	**2,687**	2,812
Profit before income tax expense		**536,145**	450,288
Income tax expense	32(a)	**(111,220)**	(62,287)
Profit for the year		**424,925**	388,001
Profit attributable to:			
Owners of the Company	33	**284,935**	284,337
Non-controlling interests		**139,990**	103,664
		424,925	388,001
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted (in RMB cents)	35	**10.45**	10.43
Dividends			
— Final dividends proposed	34	**149,941**	81,786

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao	**HUANG Zirong**
Chairman	*Director*

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Profit for the year	424,925	388,001
Other comprehensive loss, net of tax		
— Fair value losses on available-for-sale financial assets, net of tax	(8,653)	(20,668)
Total comprehensive income for the year	416,272	367,333
Total comprehensive income for the year attributable to:		
— Owners of the Company	276,282	263,669
— Non-controlling interests	139,990	103,664
	416,272	367,333

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000 (Note 26)	RMB'000	RMB'000	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

	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 2012	2,726,200	(274,541)	1,472,839	3,924,498	1,028,148	4,952,646
Comprehensive income						
Profit for the year	–	–	284,935	284,935	139,990	424,925
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	–	(8,653)	–	(8,653)	–	(8,653)
– Gross	–	(11,538)	–	(11,538)	–	(11,538)
– Related deferred income tax	–	2,885	–	2,885	–	2,885
Total comprehensive (loss)/income	–	(8,653)	284,935	276,282	139,990	416,272
Total contributions by and distributions to owners of the Company recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	21,000	21,000
2011 final dividends	–	–	(81,786)	(81,786)	–	(81,786)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(36,663)	(36,663)
Profit appropriation	–	14,669	(14,669)	–	–	–
Balance at 31 December 2012	2,726,200	(268,525)	1,661,319	4,118,994	1,152,475	5,271,469

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Net cash generated from operations	37(a)	**594,114**	368,340
Interest paid		**(51,271)**	(25,937)
Income tax paid		**(80,918)**	(54,455)
Net cash generated from operating activities		**461,925**	287,948
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		**(391,352)**	(311,099)
Proceeds from disposals of property, plant and equipment and intangible assets		**167,480**	9,072
Advance received for resumption of land		**55,563**	–
Purchase of a new associate		**(530,001)**	–
Prepayment for acquisition of an equity investment		**(1,500)**	–
Investment in Build and Transfer project		**(80,000)**	–
Disposal of available-for-sale financial asset		**–**	70
Interest received		**20,213**	18,427
Dividends received		**2,594**	2,380
Increase in restricted cash		**(335,584)**	–
(Increase)/decrease in term deposits with initial term of over three months		**(5,010)**	12,750
Net cash used in investing activities		**(1,097,597)**	(268,400)
Cash flows from financing activities			
Proceeds from borrowings		**889,599**	213,683
Repayments of borrowings		**(266,001)**	(163,042)
Contribution from non-controlling shareholders of subsidiaries		**21,000**	2,000
Dividends paid to owners of the Company		**(67,529)**	(245,358)
Dividends paid to non-controlling shareholders of subsidiaries		**(39,541)**	(51,371)
Net cash generated from/(used in) financing activities		**537,528**	(244,088)

	Note	2012 RMB'000	2011 RMB'000
Net decrease in cash and cash equivalents		**(98,144)**	(224,540)
Cash and cash equivalents at beginning of year		**926,176**	1,154,304
Exchange losses on cash and cash equivalents		**(114)**	(3,588)
Cash and cash equivalents at end of year	19	**827,918**	926,176

The notes on pages 102 to 212 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 101 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. General information

Xiamen International Port Co., Ltd. (the "Company") was a joint stock limited company established in the People's Republic of China (the "PRC"). The Company's H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The 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 and the relevant terminal area in the Qingzhou Operating Area in Fuzhou City, 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 of the Company on 21 March 2013.

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 2012, 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 2012 and adopted by the Group

The Group has adopted the following new amendment to existing standards which is currently relevant for the Group's business and mandatory for the first time for the financial year beginning 1 January 2012:

- The amendments to HKFRS 7 "Financial Instruments: Disclosures" 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 asset. These amendments have no impact to the Group's results for the year ended 31 December 2012.

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 2012 and adopted by the Group (Continued)*

The following new amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards on Hyperinflation and Fixed dates	1 July 2011
HKAS 12 (Amendment)	Income Taxes — Deferred tax: Recovery of Underlying Assets	1 January 2012

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 2012 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 2012 and have not been early adopted by the Group (collectively the "New or Revised HKFRSs"):

Relevant to the Group's operations

(I) Changes effective for annual periods beginning on or after 1 July 2012

Amendment to HKAS 1, 'Financial statements presentation' regarding other comprehensive income	The main change resulting from the amendment is a requirement for entities 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 amendment does not address which items are presented in OCI.

(II) Changes effective for annual periods beginning on or after 1 January 2013

Amendment to HKFRSs 10, 11 and 12 on transition guidance	The amendment provides additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendment will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.
Annual improvements 2011	These annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to: • HKFRS 1, 'First time adoption' • HKAS 1, 'Financial statement presentation' • HKAS 16, 'Property plant and equipment' • HKAS 32, 'Financial instruments: Presentation' • HKAS 34, 'Interim financial reporting'

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 2012 and have not been early adopted (Continued)

Relevant to the Group's operations (Continued)

(II) Changes effective for annual periods beginning on or after 1 January 2013 (Continued)

HKFRS 10 'Consolidated financial statements'	The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
HKAS 27 (revised 2011) 'Separate financial statements'	HKAS 27 (revised 2011) 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.
Amendment to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting	The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

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 2012 and have not been early adopted (Continued)

Relevant to the Group's operations (Continued)

(II) Changes effective for annual periods beginning on or after 1 January 2013 (Continued)

HKFRS 11 'Joint arrangements'	HKFRS 11 is 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, revenue 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.
HKAS 28 (revised 2011) 'Associates and joint ventures'	HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.
HKFRS 12 'Disclosure of interests in other entities'	HKFRS 12 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 measurements'	HKFRS 13 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, which are largely aligned between HKFRSs and US GAAP, 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 or US GAAP.

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 2012 and have not been early adopted (Continued)

Relevant to the Group's operations (Continued)

(III) Changes effective for annual periods beginning on or after 1 January 2014

Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting	These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

(IV) Changes effective for annual periods beginning on or after 1 January 2015

HKFRS 9 "Financial Instruments"	HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. 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"	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 to HKFRS 9 are required.

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 2012 and have not been early adopted (Continued)

Not relevant to the Group's operations

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First time adoption, on government loans	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

The Group will adopt these New or Revised HKFRSs in accordance with their respective effective dates. As proportional consolidation of joint ventures is no longer allowed according to HKFRS 11 and HKAS 28 (revised 2011), should interests in jointly controlled entities be equity accounted for in the consolidated financial statements of the Group, the total assets and total liabilities would therefore both decrease by RMB342,288,000 as at 31 December 2012, total revenue and expenses for the year ended 31 December 2012 would decrease by RMB142,857,000 and RMB115,236,000 respectively, and the investment income in jointly controlled entities would increase by RMB21,700,000, but the net assets and net profit of the Group would remain unchanged. Other than this, the Group does not anticipate that any of the above New or Revised HKFRSs would have significant impact on the Group's financial statements.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(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 third 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.

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. Summary of significant accounting policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chairman and the chief executive officer are 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.

(b) Transactions and balances

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

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

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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.

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.

2. Summary of significant accounting policies (Continued)

2.5 Investment properties (Continued)

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.

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

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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.

2.7 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. Summary of significant accounting policies (Continued)

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 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

(a) Classification

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.

(i) 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.

(ii) 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 "long-term receivables and prepayments", "accounts and notes receivable", "other receivables and prepayments" and "cash and cash equivalents" in the balance sheet (Notes 2.15 and 2.16).

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(a) Classification (Continued)

(iii) 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.

(b) Recognition and measurement

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 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 carried at amortised cost is impaired. A financial asset or a group of such 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.

2. Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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
- 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.

2. Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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.

(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 available for sale 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. Summary of significant accounting policies (Continued)

2.13 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.

2.14 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.

2.15 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. Summary of significant accounting policies (Continued)

2.16 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).

2.17 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.

2.18 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.

2.19 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. Summary of significant accounting policies (Continued)

2.20 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.

2.21 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions 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.

2. Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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 tax liabilities are not recognised if they arise from the initial recognition of goodwill, the 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.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except for deferred income tax liability 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 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Retirement benefit 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, the Group also participates 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 percentages of the annual salaries 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.

2. Summary of significant accounting policies (Continued)

2.22 Employee benefits (Continued)

(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.

2.23 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. Summary of significant accounting policies (Continued)

2.24 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.

2.25 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.

2. Summary of significant accounting policies (Continued)

2.25 Recognition of revenue and income (Continued)

(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.

(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 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. Summary of significant accounting policies (Continued)

2.26 Operating leases

(a) The Group as lessee

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 lessor

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 2.25(f) above.

2.27 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.

2. Summary of significant accounting policies (Continued)

2.27 Contingent liabilities and contingent assets (Continued)

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.

2.28 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 2012 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD") and Hong Kong Dollars ("HKD"), which is pegged with USD) (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 17, 19, 15, 20 and 24 respectively.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

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

At 31 December 2012, 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 RMB18,216,000 (2011: RMB2,917,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets (other than term deposits, 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 2012, approximately 43% (2011: 26%) 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).

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk (Continued)

At 31 December 2012, 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 RMB2,318,000 (2011: RMB1,733,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

(c) Price risk

The Group is exposed to equity securities price risk because the Group holds certain investments which are classified on the 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 2012, 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 RMB5,349,000 (2011: RMB6,503,000), excluding the tax effect.

(d) Credit risk

The Group's maximum exposure to credit risk in respect of financial assets is the 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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

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

In respect of accounts receivable, the Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and asks for collateral when proper and necessary. Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management and utilisation of these credit limits is regularly monitored. Generally, accounts receivable are due within 60 days from the date of billing. The Group has no single customer accounted for greater than 10% of the total accounts receivable as at 31 December 2012 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.

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 2012				
Bank borrowings	316,622	376,218	278,167	250,509
Long-term payables and advances	–	73,251	3,334	3,479
Accounts and notes payable	752,417	–	–	–
Other payables and accruals	458,815	–	–	–
Derivative financial instrument	1,225	–	–	–
	1,529,079	449,469	281,501	253,988
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

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 2012				
Bank borrowings	**84,972**	**342,853**	**172,749**	**38,096**
Long-term payables and advances	**–**	**24,049**	**–**	**–**
Accounts payable	**33,756**	**–**	**–**	**–**
Other payables and accruals	**223,502**	**–**	**–**	**–**
Derivative financial instrument	**1,225**	**–**	**–**	**–**
	343,455	**366,902**	**172,749**	**38,096**
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

The Group's trading derivative instrument with a negative fair value has been included at its fair value of RMB1,225,000 (2011: RMB3,658,000) within the time bucket less than 1 year (2011: between 1 and 2 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 2012, the Group's strategy, which was unchanged from 2011, was to maintain a low gearing ratio. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 **RMB'000**	2011 RMB'000
Total borrowings (Note 24)	**1,047,480**	439,558
Less: Cash and cash equivalents (Note 19)	**(827,918)**	(926,176)
Net debt/(cash)	**219,562**	(486,618)
Total equity	**5,271,469**	4,952,646
Total capital	**5,491,031**	4,466,028
Gearing ratio (%)	**4.00%**	Not applicable

The increase in the gearing ratio during 2012 resulted primarily from the bank borrowings (Note 24).

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 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	**53,493**	**–**	**–**	**53,493**
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	**–**	**(1,225)**	**–**	**(1,225)**

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 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)

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.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

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 RMB17,937,000, if favourable; or

— decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB21,923,000, if unfavourable.

4. Critical accounting estimates and assumptions (Continued)

4.2 Deferred income tax assets

Deferred income tax is determined using tax rates (and laws) that have been enacted or 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 different 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 RMB9,585,000 (2011: RMB19,320,000), if unfavourable.

4.4 Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including the long-term receivables, 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 2012 RMB'000	2011 RMB'000
Opening net book amount	**63,455**	49,453
Transfer from property, plant and equipment (Note 6)	**12,809**	15,376
Depreciation	**(1,901)**	(1,374)
Closing net book amount	**74,363**	63,455
Cost	**83,084**	70,584
Accumulated depreciation	**(8,721)**	(7,129)
Net book amount	**74,363**	63,455

During the year ended 31 December 2012, the Group transferred certain buildings from owner-occupied property, plant and equipment to investment properties with carrying amount of approximately RMB12,809,000 (2011: RMB15,376,000) 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 2012 amounted to approximately RMB74,477,000 (2011: RMB72,732,000) 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.

The depreciation charges recognised as expense and included in the cost of sales of the Group amounted to RMB1,901,000 (2011: RMB1,374,000) (Note30).

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group 2012 RMB'000	2011 RMB'000
Not later than 1 year	**7,813**	7,247
Later than 1 year and not later than 5 years	**5,267**	6,135
Later than 5 years	**17,453**	16,762
	30,533	30,144

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 2011										
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
Year ended 31 December 2012										
Opening 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
Additions	3,813	726	14,948	27,122	10,627	–	24,219	11,883	228,186	321,524
Transfer	17,530	1,812	636	18,009	25,283	78,656	–	1,860	(143,786)	–
Transfer to investment properties (Note 5)	(12,809)	–	–	–	–	–	–	–	–	(12,809)
Transfer to land use rights (Note 7)	–	–	–	–	–	–	–	–	(51,888)	(51,888)
Reclassification	981	36	(166)	(3,555)	4,343	–	–	(1,639)	–	–
Disposals	(1,190)	(2,905)	–	(29)	(832)	–	(920)	(921)	–	(6,797)
Depreciation	(10,425)	(25,737)	(10,902)	(75,846)	(15,914)	(18,589)	(19,001)	(20,897)	–	(197,311)
Addition of impairment	–	–	–	–	(1,793)	–	(215)	(4)	–	(2,012)
Closing net book amount	177,949	999,047	202,520	1,054,001	90,213	314,707	82,271	17,392	343,372	3,281,472
At 31 December 2012										
Cost	285,206	1,331,570	298,989	1,775,640	248,740	459,152	218,430	167,133	346,542	5,131,402
Accumulated depreciation	(107,257)	(332,497)	(96,469)	(721,639)	(155,884)	(144,445)	(135,707)	(149,737)	–	(1,843,635)
Accumulated impairment losses	–	(26)	–	–	(2,643)	–	(452)	(4)	(3,170)	(6,295)
Net book amount	177,949	999,047	202,520	1,054,001	90,213	314,707	82,271	17,392	343,372	3,281,472

The depreciation charges recognised as expense and include in cost of sales and operating expenses of the Group amounted to RMB197,311,000 (2011: RMB190,510,000) (Note30).

During the year, the Group has capitalised borrowing costs amounting to RMB8,350,000 (2011: RMB2,303,000) on qualifying assets (Note 31).

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 2011									
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
Year ended 31 December 2012									
Opening net book amount	**29,331**	**662,546**	**35,157**	**482,586**	**9,504**	**13,403**	**6,097**	**170,989**	**1,409,613**
Additions	**549**	**–**	**12,646**	**500**	**–**	**–**	**931**	**24,797**	**39,423**
Transfer	**1,192**	**–**	**–**	**–**	**23,541**	**–**	**581**	**(25,314)**	**–**
Reclassification	**980**	**36**	**(166)**	**(3,555)**	**4,344**	**–**	**(1,639)**	**–**	**–**
Transfer to land use right (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,888)**	**(51,888)**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Depreciation	**(1,561)**	**(19,927)**	**(2,523)**	**(25,028)**	**(8,529)**	**(1,160)**	**(4,072)**	**–**	**(62,800)**
Closing net book amount	**30,491**	**642,655**	**45,114**	**454,503**	**28,860**	**12,243**	**1,892**	**118,584**	**1,334,342**
At 31 December 2012									
Cost	**42,670**	**830,904**	**71,120**	**648,657**	**90,545**	**17,742**	**27,495**	**121,754**	**1,850,887**
Accumulated depreciation	**(12,179)**	**(188,249)**	**(26,006)**	**(194,154)**	**(61,685)**	**(5,499)**	**(25,603)**	**–**	**(513,375)**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,170)**	**(3,170)**
Net book amount	**30,491**	**642,655**	**45,114**	**454,503**	**28,860**	**12,243**	**1,892**	**118,584**	**1,334,342**

7. Land use rights

	Group RMB'000	Company RMB'000
At 1 January 2011		
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
Year ended 31 December 2012		
Opening net book amount	**994,383**	**420,606**
Addition	**16,653**	**—**
Transfer in from property, plant and equipment (Note 6)	**51,888**	**51,888**
Disposal	**(52,783)**	**—**
Amortisation	**(24,476)**	**(10,781)**
Closing net book amount	**985,665**	**461,713**
At 31 December 2012		
Cost	**1,187,180**	**559,230**
Accumulated amortisation	**(201,515)**	**(97,517)**
Net book amount	**985,665**	**461,713**

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 2012, a bank borrowing of RMB97,321,000 (2011: RMB34,802,000) (Note 24(b)) was secured by land use right with carrying amount of RMB32,573,000 (2011: RMB33,314,000).

The amortisation charges recognised as expense and included in the cost of sales and operating expenses of the Group amounted to RMB24,476,000 (2011: RMB23,932,000) (Note 30).

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 2011			
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
Year ended 31 December 2012			
Opening net book amount	**48,888**	**6,745**	**55,633**
Additions	**—**	**2,707**	**2,707**
Amortisation	**(1,211)**	**(2,340)**	**(3,551)**
Closing net book amount	**47,677**	**7,112**	**54,789**
At 31 December 2012			
Cost	**59,494**	**24,768**	**84,262**
Accumulated amortisation	**(11,817)**	**(17,656)**	**(29,473)**
Net book amount	**47,677**	**7,112**	**54,789**

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 of 5 years.

The amortisation charges recognised as expense and included in the general and administrative expense amounted to RMB3,551,000 (2011: RMB4,748,000) (Note 30).

8. Intangible assets (Continued)

(b) Company

	Computer software RMB'000	Total RMB'000
At 1 January 2011		
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
Year ended 31 December 2012		
Opening net book amount	**3,918**	**3,918**
Additions	**5**	**5**
Amortisation	**(953)**	**(953)**
Closing net book amount	**2,970**	**2,970**
At 31 December 2012		
Cost	**4,773**	**4,773**
Accumulated amortisation	**(1,803)**	**(1,803)**
Net book amount	**2,970**	**2,970**

9. Investments in subsidiaries

	Company 2012 RMB'000	2011 RMB'000
Investments, at cost		
— Shares of a listed company (a)	**1,127,274**	1,127,274
— Unlisted equity investments	**290,359**	275,359
	1,417,633	1,402,633
Market value of shares of a listed company (b)	**1,744,587**	1,536,759

(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 would 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 and all shares held by the Company are publicly tradable.

(b) The market value of the above A-Shares held by the Company is determined by reference to the market price of RMB5.96 per share (2011: RMB5.25 per share) for the listed shares of XPD as at 31 December 2012.

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 2012, the Group's investment costs in the jointly controlled entities, which are unlisted, amounted to RMB932,390,000 (2011: RMB932,390,000).

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:

	2012 RMB'000	2011 RMB'000
Assets:		
Non-current assets	1,228,494	1,183,370
Current assets	144,616	144,125
	1,373,110	1,327,495
Liabilities:		
Non-current liabilities	(250,763)	(209,409)
Current liabilities	(91,525)	(87,034)
	(342,288)	(296,443)
Net assets	1,030,822	1,031,052

	2012 RMB'000	2011 RMB'000
Revenues	142,857	171,666
Expenses	(115,236)	(120,692)
Profit before income tax expense	27,621	50,974
Income tax expense	(5,921)	(10,071)
Profit for the year	21,700	40,903

10. Investments in jointly controlled entities (Continued)

(a) Group (Continued)

As at 31 December 2012, 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 significant financial and operating decisions shall be agreed by all the owners of the jointly controlling 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 2012.

As at 31 December 2012, 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 (2011: Nil).

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

(b) Company

	2012 **RMB'000**	2011 RMB'000
Unlisted investments, at cost	**286,628**	286,628

11. Interests in associates

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share of net assets	**567,228**	35,766	**529,405**	–
Unlisted investments, at cost	**553,031**	23,030	**530,001**	–

Movement in interests in associates is set out as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**35,766**	34,954	**–**	–
Addition of an associate (a)	**530,001**	–	**530,001**	–
Dividends received	**(1,226)**	(1,393)	**–**	–
Disposal of an associate	**–**	(607)	**–**	–
Share of results before income tax expense	**3,459**	3,412	**–**	–
Share of income tax expense	**(772)**	(600)	**–**	–
	2,687	2,812	**–**	–
At 31 December	**567,228**	35,766	**530,001**	–

(a) On 14 May 2012, the Company acquired 25% equity interest of Xiamen Songyu Container Terminals Co., Ltd. ("Songyu Terminal"), which then became an associate of the Company. The cash consideration for the investment was RMB530,000,800.

11. Interests in associates (Continued)

The Group's share of the results and of the aggregated assets (including goodwill) and liabilities of the associates are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Total assets	**799,403**	42,435
Total liabilities	**232,175**	6,669

	Group	
	2012	2011
	RMB'000	RMB'000
Revenues	**61,003**	22,303
Profit for the year	**2,687**	2,812

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

12. Available-for-sale financial assets

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**69,487**	97,365	**65,031**	92,839
Disposals	**–**	(1,746)	**–**	(1,676)
Net fair value losses transferred to equity	**(11,538)**	(26,132)	**(11,538)**	(26,132)
At 31 December	**57,949**	69,487	**53,493**	65,031

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

Available-for-sale financial assets include the following:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Equity investments listed in the PRC, at fair value (a)	53,493	65,031	53,493	65,031
Unlisted equity investments, at cost (b)	9,456	9,456	5,000	5,000
Less: provision for impairment (b)	(5,000)	(5,000)	(5,000)	(5,000)
	57,949	69,487	53,493	65,031

(a) The Group holds 6,436,350 (2011: 6,436,350) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") and 4,301,000 (2011: 4,301,000) 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 (2011: RMB18,134,000).

(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 2012 and 2011, 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets				
At 1 January	**51,926**	52,707	**1,082**	1,419
Credit/(charged) to consolidated income statement (Note 32)	**2,256**	(781)	**(304)**	(337)
At 31 December	**54,182**	51,926	**778**	1,082
To be recovered:				
Within 12 months	**1,557**	1,627	**—**	—
After more than 12 months	**52,625**	50,299	**778**	1,082
	54,182	51,926	**778**	1,082
Deferred income tax liabilities				
At 1 January	**14,827**	22,080	**11,725**	18,614
Charged/(credited) to:				
— consolidated income statement (Note 32)	**26,862**	(364)	**—**	—
— other comprehensive income (Note 26)	**(2,885)**	(6,889)	**(2,885)**	(6,889)
At 31 December	**38,804**	14,827	**8,840**	11,725
To be settled:				
Within 12 months	**379**	379	**—**	—
After more than 12 months	**38,425**	14,448	**8,840**	11,725
	38,804	14,827	**8,840**	11,725

13. Deferred income tax (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets				
Revaluation surplus in connection with asset swap with XPD (a)	**28,353**	27,703	**—**	—
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity (b)	**10,066**	10,362	**—**	—
Deferred income	**1,766**	—	**—**	—
Unrealised gain on contribution of land use right to a jointly controlled entity (b)	**1,608**	1,644	**—**	—
Government grant to property, plant and equipment	**1,101**	1,150	**—**	—
Fair value loss on derivative financial instrument	**153**	457	**153**	457
Provisions for impairment of				
— receivables	**8,735**	8,691	**—**	—
— available-for-sale financial assets	**625**	625	**625**	625
— inventories	**993**	1,015	**—**	—
— property, plant and equipment	**782**	279	**—**	—
	54,182	51,926	**778**	1,082

The movements of the above deferred income tax assets are charged or credited to the consolidated income statement.

(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 revalued amount forms the base for calculating the future taxable profits, while the accounting base of the Assets has not been adjusted for such surplus in the consolidated financial statements.

13. Deferred income tax (Continued)

(b) The balance represents the deferred income tax assets relating to the unrealised gain resulting from the transfer of certain property, plant and equipment, and land use right to jointly controlled entities in prior years.

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax liabilities				
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd.	**2,723**	3,102	**–**	–
Fair value gain on available-for-sale financial assets (Note 26)	**8,840**	11,725	**8,840**	11,725
Gain on land and assets resumption (a)	**27,241**	–	**–**	–
	38,804	14,827	**8,840**	11,725

The movements of the above deferred income tax liabilities are charged or credited to the consolidated income statement, except for the movement in deferred tax liabilities relating to fair value gain on available-for-sale financial assets, which were credited to other comprehensive income.

(a) The balance represents the deferred tax liability relating to the gain arising from the disposal of land and certain assets situated thereon of Dongdu Berth No.1 (Note 28(a)).

14. Inventories

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Raw materials	4,052	4,068	–	–
Finished goods and merchandise	179,834	220,095	–	–
Spare parts and consumables	48,119	41,172	1,308	983
	232,005	265,335	1,308	983
Less: provision for impairment	(3,973)	(4,061)	–	–
	228,032	261,274	1,308	983

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 RMB1,954,564,000 (2011: RMB1,486,390,000) (Note 30).

15. Accounts and notes receivable

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Accounts receivable	700,056	616,020	33,903	32,042
Less: provision for impairment	(27,420)	(24,278)	(291)	(302)
	672,636	591,742	33,612	31,740
Due from subsidiaries	–	–	18,529	22,379
Due from fellow subsidiaries (Note 40(b))	2,032	1,166	–	–
Due from an associate (Note 40(b))	5,767	–	639	–
Due from other related parties (Note 40(b))	7,353	9,739	–	–
Notes receivable	78,608	45,319	–	–
	766,396	647,966	52,780	54,119

15. Accounts and notes receivable (Continued)

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

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

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months	**735,612**	579,971	**53,063**	54,363
6 months to 1 year	**15,215**	42,829	**–**	36
1 year to 2 years	**25,916**	28,007	**–**	–
2 years to 3 years	**6,606**	2,915	**–**	8
Over 3 years	**10,467**	18,522	**8**	14
	793,816	672,244	**53,071**	54,421
Less: provision for impairment	**(27,420)**	(24,278)	**(291)**	(302)
	766,396	647,966	**52,780**	54,119

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, an associate and other related parties are unsecured, interest free and subject to agreed credit terms.

15. Accounts and notes receivable (Continued)

As of 31 December 2012, the Group's trade receivables of RMB648,595,000 (2011: RMB528,109,000) were fully performing.

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2012, the Group's accounts receivable of RMB14,413,000 (2011: RMB34,065,000) were past due but not impaired.

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 31 December 2012, the Group did not hold any collateral as security for accounts receivables.

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

	Group	
	2012	2011
	RMB'000	RMB'000
Less than 6 months	**8,409**	6,543
6 months to 1 year	**802**	8,764
1 year to 2 years	**25,916**	28,007
2 years to 3 years	**6,606**	2,915
Over 3 years	**10,467**	18,522
	52,200	64,751

As at 31 December 2012, no significant accounts receivable of the Company are either past due or impaired.

15. Accounts and notes receivable (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**706,350**	592,778	**52,780**	54,119
USD	**60,046**	55,188	**—**	—
	766,396	647,966	**52,780**	54,119

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**24,278**	31,318	**302**	302
Provision for/(reversal of) impairment	**5,930**	(6,324)	**—**	—
Uncollectible receivables written off during the year	**(2,788)**	(716)	**(11)**	—
At 31 December	**27,420**	24,278	**291**	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 (including long-term receivables and prepayments)

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**142,558**	56,641	**4,512**	2,563
Advances to suppliers	**180,323**	129,140	**3,554**	3,268
Less: provision for impairment	**(8,201)**	(9,309)	**—**	—
	314,680	176,472	**8,066**	5,831
Due from parent company (Note 40(b))	**24,967**	370	**—**	—
Due from subsidiaries (a)	**—**	—	**88,888**	96,778
Due from fellow subsidiaries (Note 40(b))	**1,400**	1,695	**—**	—
Due from associates (Note 40(b))	**4,088**	4,542	**—**	—
Prepayments and deposits	**54,920**	536	**—**	—
Interest receivable	**8,808**	664	**7,944**	—
Dividends receivable	**—**	—	**89,465**	89,345
	408,863	184,279	**194,363**	191,954
Less: long-term receivables and prepayments				
— Payments made to Build and Transfer project (b)	**(82,825)**	—	**—**	—
— Prepayment for acquisition of land use right	**(37,388)**	—	**—**	—
— Prepayment for acquisition of property, plant and equipment	**(15,643)**	—	**—**	—
— Others	**(4,157)**	—	**—**	—
	(140,013)	—	**—**	—
Current portion	**268,850**	184,279	**194,363**	191,954

(a) The balance as at 31 December 2012 mainly represents an entrusted loan granted by the Company to XPD with a principal amount of RMB70,000,000 (2011: RMB70,000,000) at a interest rate of 5.26% (2011: 5.77% per annum). The loan will be matured in 2013.

16. Other receivables and prepayments (including long-term receivables and prepayments) (Continued)

(b) In July 2012, XPD, a subsidiary of the Company, and CCCC Third Harbour Engineering Co., Ltd. ("CCCC") entered into a Build-Transfer ("BT") Agreement (the "BT Agreement") with Zhangzhou Gulei Transportation Development Co., Ltd. ("Gulei") regarding investment and construction of the BT Project. The total investment amount of the BT Project is estimated to be approximately RMB523 million which will be contributed by XPD and CCCC of RMB423 million and RMB100 million respectively. The construction period of the BT Project is approximately 18 months. According to the BT Agreement, XPD shall be responsible for the implementation of all investing and financing activities in respect of the BT Project while CCCC shall be responsible for implementing all of the construction work and post-completion maintenance work for two years after the completion of project construction. Upon the completion of the BT Project, Gulei shall settle the repurchase price (including the estimated total investment amount of RMB523 million plus investment return which will be calculated at an annual interest rate of 8.63% to 10.70%) to XPD and CCCC by instalment, and all the possession rights of the BT Project will be transferred to Gulei upon the full settlement of the repurchase price. As at 31 December 2012, payment made by XPD together with the associated interests amounted to a total of RMB82.8 million, which will be repaid as part of the repurchase price and thus is presented as long-term receivable.

Except for the entrusted loan to XPD as mentioned above, the amounts due from the parent company, subsidiaries, fellow subsidiaries and associates 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 2012, none of the Company's receivable balances as mentioned above is either past due or impaired.

16. Other receivables and prepayments (including long-term receivables and prepayments) (Continued)

Ageing analysis of the gross other receivables 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months	**246,746**	160,591	**194,162**	191,738
6 months to 1 year	**4,652**	6,702	**—**	—
1 year to 2 years	**14,800**	10,471	**—**	11
2 years to 3 years	**3,744**	734	**—**	1
Over 3 years	**7,109**	15,090	**201**	204
	277,051	193,588	**194,363**	191,954
Less: provision for impairment	**(8,201)**	(9,309)	**—**	—
	268,850	184,279	**194,363**	191,954

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

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**9,309**	18,449
Reversal of impairment	**(1,108)**	(5,501)
Uncollectible receivables written off during the year	**—**	(3,639)
At 31 December	**8,201**	9,309

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 (including long-term receivables and prepayments) (Continued)

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2012 is the carrying amount of each class of receivables and prepayments mentioned above. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2012.

17. Term deposits with initial term of over three months

	Group	
	2012	2011
	RMB'000	RMB'000
Term deposits denominated in:		
RMB	**58,250**	53,194
USD	**18,857**	18,903
	77,107	72,097

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.78% (2011: 3.75%) 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 bank loans, notes payable, letters of credit and letters of guarantee.

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**808,018**	765,548	**133,247**	227,046
Short-term bank deposits	**97,007**	232,725	**—**	64,000
	905,025	998,273	**133,247**	291,046
Less: term deposits with initial term of over three months (Note 17)	**(77,107)**	(72,097)	**—**	—
Cash and cash equivalents	**827,918**	926,176	**133,247**	291,046
Maximum exposure to credit risk (net of cash in hand)	**827,760**	925,941	**133,247**	291,032
Denominated in:				
RMB	**780,844**	854,730	**132,503**	291,040
USD	**46,657**	69,983	**744**	4
HKD	**286**	288	**—**	2
EUR	**131**	1,175	**—**	—
	827,918	926,176	**133,247**	291,046

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 days to 90 days, was 1.75% (2011: 2.23%) 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accounts payable	**459,319**	449,614	**2,451**	2,092
Due to parent company (Note 40(b))	**40,319**	16,713	**24,190**	7,306
Due to an associate (Note 40(b))	**8,466**	–	**–**	–
Due to subsidiaries	**–**	–	**2,015**	2,092
Due to fellow subsidiaries (Note 40(b))	**14,667**	10,453	**5,100**	1,994
Notes payable	**229,646**	169,209	**–**	–
	752,417	645,989	**33,756**	13,484

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**749,328**	643,653	**33,230**	13,004
1 year to 2 years	**1,552**	1,501	**46**	480
2 years to 3 years	**751**	573	**480**	–
Over 3 years	**786**	262	**–**	–
	752,417	645,989	**33,756**	13,484

20. Accounts and notes payable (Continued)

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

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

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**621,378**	511,986	**33,756**	13,484
USD	**131,035**	133,999	**–**	–
EUR	**4**	4	**–**	–
	752,417	645,989	**33,756**	13,484

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

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due to parent company (Note 40(b))	**3,624**	4,942	**1,134**	2,082
Due to subsidiaries		—	**92,979**	47,686
Due to fellow subsidiaries (Note 40(b))	**1,335**	8,066	**382**	1,138
Due to other related parties (Note 40(b))	**13,148**	19,903	**9,225**	13,859
Payables for purchases of property, plant and equipment and construction-in-progress	**96,041**	102,468	**70,275**	81,677
Salary and welfare payables	**139,560**	134,700	**4,861**	4,935
Customer deposits	**133,400**	109,376	**18,232**	2,162
Accrued expenses	**10,899**	14,348	**2,541**	4,835
Dividends payable to				
— shareholders of the Company	**17,277**	3,020	**17,277**	3,020
— non-controlling shareholders of subsidiaries (Note 40(b))	**4,106**	6,983	**—**	—
Other payables	**119,489**	70,079	**30,645**	43,833
	538,879	473,885	**247,551**	205,227
Less: long-term payables and advances				
— Advance received for resumption of land (Note 28)	**(55,563)**	—	**(24,049)**	—
— Others	**(24,501)**	—	**—**	—
	(80,064)	—	**(24,049)**	—
Current portion	**458,815**	473,885	**223,502**	205,227

As at 31 December 2012, 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	
	2012	2011
	RMB'000	RMB'000
	Liabilities	Liabilities
Interest rate swap contract — short term	**1,225**	–
Interest rate swap contract — long term	**–**	3,658

As at 31 December 2012 and 2011, 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 2012 amounted to USD9,650,000 (2011: USD10,289,000), equivalent to approximately RMB60,655,000 (2011: RMB64,831,000).

The derivative financial instrument does not qualify for hedge accounting.

23. Deferred government grants and income

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	**23,974**	27,062	**–**	–
Government grants on purchases of property, plant and equipment (b)	**93,734**	88,670	**69,377**	70,955
	117,708	115,732	**69,377**	70,955

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

24. Borrowings

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Non-current				
Long-term bank borrowings	**781,216**	291,266	**502,785**	60,804
Current				
Short-term bank borrowings	**193,877**	139,705	**—**	—
Long-term bank borrowings — current portion	**72,387**	8,587	**57,417**	4,027
	266,264	148,292	**57,417**	4,027
Total borrowings	**1,047,480**	439,558	**560,202**	64,831
Representing:				
— guaranteed (a)	**329,156**	64,831	**299,155**	64,831
— secured/pledged (b)	**436,693**	58,833	**261,047**	—
— unsecured	**281,631**	315,894	**—**	—
Total borrowings	**1,047,480**	439,558	**560,202**	64,831
Analysed as follows:				
— wholly repayable within five years	**805,445**	174,507	**499,547**	—
— not wholly repayable within five years	**242,035**	265,051	**60,655**	64,831
Total borrowings	**1,047,480**	439,558	**560,202**	64,831

(a) As at 31 December 2012, a bank borrowing of RMB238,500,400 (2011: Nil) is guaranteed by Xiamen Port Holding; a bank borrowing of RMB60,655,102 (2011: RMB64,831,000) is guaranteed by a state-owned bank and a bank borrowing of RMB30,000,000 (2011: Nil) is guaranteed by XPD.

24. Borrowings (Continued)

(b) As at 31 December 2012, a bank borrowing of RMB40,762,000 (2011: RMB24,031,000) is secured by letters of credit, a bank borrowing of RMB37,562,000 (2011: Nil) is secured by bank deposits of USD6,000,000, a bank borrowing of USD41,000,000 (approximately equivalent to RMB261,048,000, 2011: Nil) is secured by bank deposits of RMB260,000,000 and a bank borrowing of RMB97,321,000 (2011: RMB34,802,000) is secured by land use right (Note 7).

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings repayable:				
— within 1 year	**266,264**	148,292	**57,417**	4,027
— between 1 and 2 years	**336,289**	14,988	**318,919**	4,428
— between 2 and 5 years	**213,099**	58,695	**150,339**	16,213
— over 5 years	**231,828**	217,583	**33,527**	40,163
	1,047,480	439,558	**560,202**	64,831

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**688,216**	369,686	**238,500**	—
USD	**359,264**	69,872	**321,702**	64,831
Total borrowings	**1,047,480**	439,558	**560,202**	64,831

24. Borrowings (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
Bank borrowings				
— RMB	**6.06%**	6.32%	**6.40%**	—
— USD	**3.55%**	5.16%	**3.82%**	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.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amounts	**781,216**	291,266	**502,785**	60,804
Fair values	**767,239**	278,472	**493,749**	56,019

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 2012 and 2011	**1,739,500**	**986,700**	**2,726,200**

25. Share capital (Continued)

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.

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. In addition, Xiamen Port Holding transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn 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 2012, there was no movement in the share capital of the Company (2011: Nil).

26. Reserves

(a) Group

	Note	Other reserves				Retained earnings RMB'000	Total RMB'000
		Capital surplus RMB'000 (ii)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000		
Balance at 1 January 2011		(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
Fair value losses on							
available-for-sale financial assets		**–**	**–**	**(8,653)**	**(8,653)**	**–**	**(8,653)**
– Gross		**–**	**–**	**(11,538)**	**(11,538)**	**–**	**(11,538)**
– Related deferred income tax		**–**	**–**	**2,885**	**2,885**	**–**	**2,885**
Profit for the year		**–**	**–**	**–**	**–**	**284,935**	**284,935**
2011 final dividends		**–**	**–**	**–**	**–**	**(81,786)**	**(81,786)**
Profit appropriation	(i)	**–**	**14,669**	**–**	**14,669**	**(14,669)**	**–**
Balance at 31 December 2012		**(459,530)**	**164,486**	**26,519**	**(268,525)**	**1,661,319**	**1,392,794**
Representing:							
– 2012 proposed final dividends		**–**	**–**	**–**	**–**	**149,941**	**149,941**
– Others		**(459,530)**	**164,486**	**26,519**	**(268,525)**	**1,511,378**	**1,242,853**
		(459,530)	**164,486**	**26,519**	**(268,525)**	**1,661,319**	**1,392,794**

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	Other reserves: Statutory surplus reserve RMB'000	Other reserves: Investment revaluation reserve RMB'000	Other reserves: Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011		(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
Fair value losses on available-for-sale financial assets		**–**	**–**	**(8,653)**	**(8,653)**	**–**	**(8,653)**
– Gross		**–**	**–**	**(11,538)**	**(11,538)**	**–**	**(11,538)**
– Related deferred income tax		**–**	**–**	**2,885**	**2,885**	**–**	**2,885**
Profit for the year	33	**–**	**–**	**–**	**–**	**138,091**	**138,091**
2011 final dividends		**–**	**–**	**–**	**–**	**(81,786)**	**(81,786)**
Profit appropriation	26(a)(i)	**–**	**14,699**	**–**	**14,699**	**(14,699)**	**–**
Balance at 31 December 2012		**(61,484)**	**164,516**	**26,519**	**129,551**	**956,874**	**1,086,425**
Representing:							
– 2012 proposed final dividends		**–**	**–**	**–**	**–**	**149,941**	**149,941**
– Others		**(61,484)**	**164,516**	**26,519**	**129,551**	**806,933**	**936,484**
		(61,484)	**164,516**	**26,519**	**129,551**	**956,874**	**1,086,425**

27. Revenues and segment information

(a) Revenues and other income

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

	2012 RMB'000	2011 RMB'000
Revenues (i)	**3,642,048**	3,069,703
Other income		
Government subsidies (ii)	**41,659**	33,005
Dividend income	**1,368**	987
Rental income	**33,815**	25,733
Others	**11,197**	3,989
	88,039	63,714
Total	**3,730,087**	3,133,417

(i) Prior to 1 November 2012, the Group's service fee income was subject to business tax ("BT") at 3% or 5%. From 1 November 2012, Xiamen City carried out a pilot reform for converting BT to value-added tax ("VAT") for certain services industries. Port industry was also within the scope of the pilot reform, in which an output VAT rate of 11% is applicable to the general taxpayers of transportation industry (including land transport, water transport services) and an output VAT rate of 6% is applicable to the general taxpayers of other modern service industries (including logistics auxiliary services such as port terminal service, cargo transport agency service, storage service and loading, unloading services etc.). Accordingly, the qualified transportation and logistics services provided by the Group's companies which are registered in Xiamen City are subject to output VAT at 6% or 11% where applicable. Input VAT on the purchase of spare parts, fixed assets and receipt of services can be used to offset the output VAT to determine the net VAT payable.

The revenue of the Group from the selling of building materials and trading of merchandise are subject to output VAT at 17%. Input VAT on the purchase of materials and merchandise can be used to offset the output VAT to determine the net VAT payable.

27. Revenues and segment information (Continued)

(a) Revenues and other income (Continued)

(ii) The government subsidies for the year ended 31 December 2012 mainly included a subsidy of RMB32,675,105 from Xiamen Port Authority as part of local government's initiative to promote trade and enhance the throughput of domestic trade container.

(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.

The Group has no single customer accounted for greater than 10% of the total accounts receivable as at 31 December 2012 and the total revenue for the year then ended.

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 2012 and 2011 are as follows:

	For the year ended 31 December 2012					
	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	815,121	209,356	801,510	404,674	1,533,954	3,764,615
Inter-segment revenues	–	–	(122,567)	–	–	(122,567)
Revenues	815,121	209,356	678,943	404,674	1,533,954	3,642,048
Operating profit	161,213	155,142	176,156	32,182	22,724	547,417
Finance income						31,342
Finance costs						(45,301)
						533,458
Share of profits less losses of associates	(596)	–	2,012	1,271	–	2,687
Profit before income tax expense						536,145
Income tax expense						(111,220)
Profit for the year						424,925
Other information						
Depreciation	109,142	29,095	54,239	6,206	530	199,212
Amortisation	16,528	4,009	7,435	41	14	28,027
Net provision for/(reversal of) impairment of						
– inventories	–	–	(59)	–	(29)	(88)
– receivables and advances to suppliers	–	918	972	4,739	(1,807)	4,822
– property, plant and equipment	–	–	–	2,012	–	2,012

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 2012 and 2011 are as follows (Continued):

	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 information provided to management for the reportable segments as at 31 December 2012 and 31 December 2011 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 2012						
Segment assets	4,096,503	501,728	2,314,154	271,127	502,505	7,686,017
Include:						
Interests in associates	529,405	–	34,531	3,292	–	567,228
Additions to non-current assets	66,606	31,782	236,674	5,228	597	340,887
Segment liabilities	389,411	78,419	593,054	134,903	214,136	1,409,923
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

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.

27. Revenues and segment information (Continued)

(b) Segment information (Continued)

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

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

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

	2012 **RMB'000**	2011 RMB'000
Total segment assets	**7,686,017**	6,550,394
Add: Deferred income tax assets	**54,182**	51,926
Available-for-sale financial assets	**57,949**	69,487
Total assets per consolidated balance sheet	**7,798,148**	6,671,807

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

	2012 **RMB'000**	2011 RMB'000
Total segment liabilities	**1,409,923**	1,237,568
Add: Deferred income tax liabilities	**38,804**	14,827
Taxes payable	**29,247**	23,550
Derivative financial instrument	**1,225**	3,658
Borrowings	**1,047,480**	439,558
Total liabilities per consolidated balance sheet	**2,526,679**	1,719,161

28. Other gains — net

	2012 RMB'000	2011 RMB'000
Gain/(loss) on disposal of property, plant and equipment and land use right (a)	**108,799**	(997)
Fair value gain on derivative financial instrument	**2,433**	2,697
Exchange (loss)/gain not related to borrowings and cash and cash equivalents	**(683)**	1,590
Loss on disposal of available-for-sale financial assets	**—**	(251)
	110,549	3,039

(a) The Company, together with its subsidiaries XPD, Xiamen Port Power Supply Service Co., Ltd., and Xiamen Port (Group) Domestic Shipping Agency Co., Ltd., entered into agreements ("Land Resumption Agreements") with the Xiamen Land Development Centre regarding the resumption of land and certain assets situated thereon in Dongdu port area ("Land and Assets Resumption"), which took effect on 1 November 2012. Pursuant to the Land Resumption Agreements, the total compensation ("Compensation") for the Land and Assets Resumption amounts to RMB1,086,614,353, which will be paid by Xiamen Land Development Centre by instalments. The subject land and assets shall be surrendered to the Xiamen Land Development Centre within 30 months after the Land Resumption Agreements took effect.

As part of the Land and Assets Resumption exercise, on 28 December 2012, XPD surrendered the usage right of a piece of the subject land in Dongdu Berth No.1 and the relevant assets situated thereon ("Surrendered Land and Assets") to Xiamen Land Development Center. The carrying amount of the Surrendered Land and Assets was RMB54,199,143 in aggregate as at the date of surrender, and the attributable compensations received for the Surrendered Land and Assets amounted to RMB160,554,759. A disposal gain of RMB106,055,616 was recognised in the consolidated income statement. The business tax and land value added tax relating to the above surrender of land and assets are exempted according to a notice issued by the tax authority. As at 31 December 2012, the Company and XPD received the first instalment of Compensation of RMB216,118,259, of which RMB160,554,759 was attributable to the disposal of the Surrendered Land and Assets, and the remaining RMB55,563,500 was advance payment received and was recorded as long term payables.

29. Employee benefit expenses

	2012 RMB'000	2011 RMB'000
Salaries, wages and bonuses	447,736	396,570
Welfare, medical and other expenses	55,447	67,579
Contributions to pension plans	73,125	71,286
Contributions to supplementary pension scheme	7,179	5,514
	583,487	540,949

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 35% (2011: 16.7% 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

	2012 RMB'000	2011 RMB'000
Cost of inventories sold/consumed (Note 14)	**1,954,564**	1,486,390
Employee benefit expenses (Note 29)	**583,487**	540,949
Depreciation of		
— investment properties (Note 5)	**1,901**	1,374
— property, plant and equipment (Note 6)	**197,311**	190,510
Distribution, transportation and labour outsourcing	**193,912**	139,628
Business tax, stamp duty and real estate tax	**74,440**	100,218
Advertising and marketing expenses	**34,855**	26,952
Amortisation of		
— land use rights (Note 7)	**24,476**	23,932
— intangible assets (Note 8)	**3,551**	4,748
Operating lease rental in respect of property, plant and equipment	**96,126**	80,275
General office expenses	**23,113**	21,569
Repairs and maintenance	**33,851**	35,759
Insurance expenses	**16,309**	12,498
Auditors' remuneration	**3,096**	3,655
Net provision for/(reversal of provision) impairment of		
— inventories	**(88)**	1,983
— receivables and advances to suppliers	**4,822**	(11,825)
— property, plant and equipment	**2,012**	635
Others	**45,481**	27,661
Total cost of sales, selling and marketing expenses and general and administrative expenses	**3,293,219**	2,686,911

31. Finance income and costs

	2012 RMB'000	2011 RMB'000
Interest income	31,182	18,056
Net foreign exchange gain	160	3,916
	31,342	21,972
Interests on bank borrowings	(53,651)	(26,344)
Less: amounts capitalised	8,350	2,303
	(45,301)	(24,041)
Finance costs — net	(13,959)	(2,069)

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 2012 was 6.98% (2011: 6.61%) 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 2012 (2011: Nil).

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 first year which the Company enjoys the corporate income tax reduction by 50%. Therefore the applicable tax rate for the Company is 12.5% for the year ended 2012 (2011: Nil).

32. Taxation (Continued)

(a) Income tax expense (Continued)

Except for China Ocean Shipping Agency Xiamen Co., Ltd. ("Agency"), a subsidiary of the Company, and XHICT, a jointly controlled entity of the Company, tax rates of which are described below, all of the Company's other subsidiaries and the jointly controlled entities are subject to income tax rate of 25% (2011: 24%) for the year ended 31 December 2012.

Agency obtained a certificate of qualifying as "advanced technology company" 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 year ended 31 December 2012 is the second year which XHICT could enjoy 50% reduction in corporate income tax and its effective income tax rate is 12.5% (2011: 12.5%).

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

	2012 RMB'000	2011 RMB'000
PRC corporate income tax	86,614	61,870
Deferred income tax charge (Note 13)	24,606	417
	111,220	62,287

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:

	2012 RMB'000	2011 RMB'000
Profit before income tax expense	536,145	450,288
Less: share of profits less losses of associates	(2,687)	(2,812)
	533,458	447,476
Tax calculated at the applicable tax rate of 25% (2011: 24%)	133,364	107,394
Effect of preferential tax rate of:		
— the Company	(16,892)	(35,828)
— Agency	(6,218)	(8,326)
— XHICT	(1,646)	(1,997)
Income not subject to income tax	(124)	(50)
Expenses not deductible for income tax purposes	3,720	2,039
Others	(984)	(945)
Income tax expense	111,220	62,287

33. Profit attributable to owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2012 are dealt with in the financial statements of the Company to the extent of RMB138,091,000 (2011: RMB182,278,000).

34. Dividends

	2012 RMB'000	2011 RMB'000
Proposed final dividends		
— Domestic share	**95,673**	52,185
— H-share	**54,268**	29,601
	149,941	81,786

The dividends paid for the year ended 31 December 2012 and 2011 were RMB81,786,000 (RMB3 cents per share) and RMB245,358,000 (RMB9 cents per share) respectively.

34. Dividends (Continued)

At a meeting held on 21 March 2013, the directors of the Company proposed a final dividend of RMB5.5 cents per share (tax inclusive) for the year ended 31 December 2012. 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 31 May 2013, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

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 2012 of RMB284,935,000 (2011: RMB284,337,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2011: 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

	2012 RMB'000	2011 RMB'000
Directors and supervisors		
Fees	**1,132**	1,185
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,859**	1,753
Contributions to pension plans	**381**	353
Discretionary bonuses	**2,491**	2,452
	5,863	5,743

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 2012

Name (*)	Fees RMB'000	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	–	265	49	362	676
Miao Luping	–	242	49	325	616
Fang Yao	–	292	49	300	641
Huang Zirong	–	281	49	264	594
Hong Lijuan	–	266	46	264	576
Non-executive Directors:					
Zheng Yongen	95	–	–	–	95
Chen Dingyu	95	–	–	–	95
Fu Chengjing	95	–	–	–	95
Ke Dong	95	196	50	404	745
Independent Non-executive Directors:					
Hui Wang Chuen	200	–	–	–	200
Zhen Hong	95	–	–	–	95
Liu Feng	95	–	–	–	95
Lin Pengjiu (**)	1	–	–	–	1
Huang Shumeng (**)	1	–	–	–	1
Supervisors:					
Yan Tengyun	60	–	–	–	60
Luo Jianzhong	60	–	–	–	60
Wu Jianliang	60	143	43	270	516
Wu Weijian	60	174	46	302	582
Tang Jinmu	60	–	–	–	60
Xiao Zuoping	60	–	–	–	60
	1,132	1,859	381	2,491	5,863

* Directors and Supervisors are listed by their positions as at 31 December 2012.

** Appointed on 28 December 2012.

36. Emoluments of directors and supervisors (Continued)

Year ended 31 December 2011

Name (*)	Fees RMB'000	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	95	190	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	60	130	40	271	501
Wu Weijian	60	170	44	282	556
Tang Jinmu	59	–	–	–	59
Xiao Zuoping (**)	50	–	–	–	50
He Shaoping (***)	9	–	–	–	9
	1,185	1,753	353	2,452	5,743

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

** Appointed on 28 February 2011.

*** Resigned on 28 February 2011.

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 four (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2011: two) individuals (the “Individuals”) during the year are as follows:

	2012 RMB’000	2011 RMB’000
Basic salaries, housing allowances, other allowances and benefits-in-kind	262	445
Contributions to pension plans	49	79
Discretionary bonuses	354	839
	665	1,363

The emoluments of the Individuals fall within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
Nil to HK$1,000,000 (equivalent to RMB810,800)	1	2

37. Notes to consolidated statement of cash flows

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

	2012 RMB'000	2011 RMB'000
Profit before income tax expense	**536,145**	450,288
Adjustments for:		
— Share of profits less losses of associates	**(2,687)**	(2,812)
— Depreciation of property, plant and equipment	**197,311**	190,510
— Depreciation of investment properties	**1,901**	1,374
— Amortisation of land use rights	**24,476**	23,932
— Amortisation of intangible assets	**3,551**	4,748
— (Gain)/loss on disposal of property, plant and equipment	**(108,799)**	997
— Loss on disposal of available-for-sale financial assets	**—**	251
— Fair value gain on derivative financial instrument	**(2,433)**	(2,697)
— Provision for impairment of property, plant and equipment	**2,012**	635
— (Reversal of provision)/provision for impairment of inventories	**(88)**	1,983
— Provision for/(reversal of provision for) impairment of receivables and advances to suppliers, net	**4,822**	(11,825)
— Dividend income	**(1,368)**	(987)
— Interest income	**(31,182)**	(18,056)
— Interest expenses	**45,301**	24,041
— Unrealised foreign exchange (gain)/losses	**(121)**	277
	668,841	662,659
Changes in working capital:		
— Accounts and notes receivable	**(124,360)**	(59,963)
— Other receivables and prepayments	**(74,419)**	16,884
— Inventories	**33,330**	(103,943)
— Accounts and notes payable	**106,428**	(34,376)
— Other payables and accruals	**(15,706)**	(70,925)
— Restricted cash	**—**	(41,996)
Net cash generated from operations	**594,114**	368,340

(b) No significant non-cash transactions for the year ended 31 December 2012 and 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	
	2012	2011
	RMB'000	RMB'000
Purchases of property, plant and equipment		
— the Group	**172,842**	101,392
— jointly controlled entities	**3,557**	40,769
	176,399	142,161

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

	Company	
	2012	2011
	RMB'000	RMB'000
Purchases of property, plant and equipment	**70,056**	53,324

Committed capital expenditure as at 31 December 2012 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.

38. Commitments (Continued)

(b) Operating lease commitments

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

	Group	
	2012	2011
	RMB'000	RMB'000
Not later than 1 year	**61,903**	27,797
Later than 1 year and not later than 5 years	**161,227**	3,180
Later than 5 years	**167,078**	–
	390,208	30,977

The Company has no operating lease commitment as at 31 December 2012 (2011: Nil).

38. Commitments (Continued)

(c) Commitment for deposit of BT project

As at 31 December 2012, the total commitment for BT project is estimated to be approximately RMB343,000,000. Details are set out in Note 16(b).

39. Contingent liabilities

As at 31 December 2012, the Group and the Company have no significant contingent liabilities (2011: Nil).

40. Significant related party transactions

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 2012 and balances arising from these significant related party transactions.

40. Significant related party transactions (Continued)

(a) During the year, besides the guarantee from Xiamen Port Holding mentioned in Note 24, the Group had the following significant transactions with related parties (which also are non-exempt continuing connected transactions of the Group), in which the transactions of jointly controlled entities with related parties are listed under proportional consolidation.

	Note	2012 RMB'000	2011 RMB'000
Transactions with parent company			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**48,582**	51,798
Transactions with fellow subsidiaries			
Revenues			
Loading and unloading services rendered	(v)	**9,769**	–
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**4,191**	800
Comprehensive service fee	(ii)	**25,192**	25,578
Labour service fee	(iii)	**27,387**	26,573
Others			
Purchases of property, plant and equipment	(iv)	**14,573**	13,726
Transactions with an associate			
Revenues			
Loading and unloading services rendered	(v)	**17,716**	–
Expenses			
Labour service fee	(iii)	**33,473**	–
Operating lease in respect of land and port facilities	(i)	**9,167**	–
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(v)	**68,583**	72,952

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., Xiamen Port Hailongchang International Freight Co., Ltd. and Songyu Terminal to the Group. The terms were mutually agreed by 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	2012 RMB'000	2011 RMB'000
Balances with parent company			
Other receivables and prepayments	(i)	**24,967**	370
Accounts payable	(i)	**40,319**	16,713
Other payables and accruals	(i)	**3,624**	4,942
Balances with fellow subsidiaries			
Accounts receivable	(i)	**2,032**	1,166
Other receivables and prepayments	(i)	**1,400**	1,695
Accounts payable	(i)	**14,667**	10,453
Other payables and accruals	(i)	**1,335**	8,066
Balances with associates			
Accounts receivable	(i)	**5,767**	–
Other receivables and prepayments	(i)	**4,088**	4,542
Accounts payable	(i)	**8,466**	–
Balances with non-controlling shareholders of subsidiaries			
Dividends payable	(i)	**4,106**	6,983
Balances with other related parties			
Accounts receivable	(ii)	**7,353**	9,739
Other payables and accruals	(iii)	**13,148**	19,903

40. Significant related party transactions (Continued)

(b) (Continued)

(i) As of 31 December 2012, these balances with the parent company, associates, 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 2012, these balances arose from the ordinary course of the Group's business and are unsecured, interest free and are subject to agreed credit terms.

(iii) As of 31 December 2012, 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:

	2012 **RMB'000**	2011 RMB'000
Fees	**1,132**	1,185
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,859**	1,753
Contributions to pension plans	**381**	353
Discretionary bonuses	**2,491**	2,452
	5,863	5,743

41. Particulars of subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2012, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/ paid-in capital 2012 (RMB'000)	Issued share/ paid-in capital 2011 (RMB'000)	Attributable equity interests 2012 Directly held	Attributable equity interests 2012 Indirectly held	Attributable equity interests 2011 Directly held	Attributable equity interests 2011 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

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2012 (RMB'000)	Issued share/ paid-in capital 2011 (RMB'000)	Attributable equity interests 2012 Directly held	Attributable equity interests 2012 Indirectly held	Attributable equity interests 2011 Directly held	Attributable equity interests 2011 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port Domestic Shipping Agent Co., Ltd.#	Limited liability company	2,000	2,000	–	44.10%	–	44.10%	Shipping agency services for domestic trade
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

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2012 (RMB'000)	2011 (RMB'000)	Attributable equity interests 2012 Directly held	2012 Indirectly held	2011 Directly held	2011 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	65,000	65,000	–	55.17%	–	55.17%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	85,000	85,000	–	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 Port Development Co., Ltd (formerly known as Sanming Lugang Logistics Limited Company)#	Limited liability company	70,000	10,000	–	44.10%	–	44.10%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Sanming Port Logistics Co., Ltd*#	Limited liability company	10,000	–	–	44.10%	–	–	National and international freight agency,cargo storage, deposit and packing services

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2012 (RMB'000)	2011 (RMB'000)	Attributable equity interests 2012 Directly held	2012 Indirectly held	2011 Directly held	2011 Indirectly held	Principal activities
Unlisted (Continued)								
Sanming Port Construction Co., Ltd*#	Limited liability company	10,000	–	–	44.10%	–	–	Construction and operation of the relevant projects of Sanming land-based port
Ji'an Lugang Logistics Co., Ltd.	Limited liability company	10,000	10,000	–	55.13%	–	55.13%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.*	Limited liability company	15,000	–	100.00%	–	–	–	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd.*#	Limited liability company	20,000	–	–	38.59%	–	–	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.*	Limited liability company	40,000	–	–	55.13%	–	–	Road construction, port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.*	Limited liability company	10,000	–	–	55.13%	–	–	Terminal construction and development
Chaozhou Port Development Co., Ltd.*#	Limited liability company	2,000	–	–	38.59%	–	–	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd.*#	Limited liability company	8,000	–	–	38.59%	–	–	Wholesale of pre-packaged food; import and export of merchandise and technology;

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

(a) Subsidiaries (Continued)

These entities are controlled by the Company's non-wholly owned subsidiaries. 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 2012.

(b) Jointly controlled entities

As at 31 December 2012, the Group had interests in the following jointly controlled entities:

Name	Paid-in capital 2012 (RMB'000)	Paid-in capital 2011 (RMB'000)	Proportion of ownership held by the Group and profit sharing 2012	Proportion of ownership held by the Group and profit sharing 2011	Proportion of voting rights held by the Group 2012	Proportion of voting rights held by the Group 2011	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 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

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

(c) Associates

As at 31 December 2012, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/ paid-in capital 2012 (RMB'000)	Issued share/ paid-in capital 2011 (RMB'000)	Attributable equity interests 2012	Attributable equity interests 2011	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 Jida Building Materials Technology Co., Ltd.	Limited liability company	1,500	1,500	40%	40%	Manufacturing, processing and selling of building materials
Xiamen Songyu Container Terminal Co., Ltd.*	Limited liability company	1,680,000	–	25%	–	Container loading and unloading services

* Acquired during the year ended 31 December 2012.

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

(a) On 5 February 2013, the Company, XPD, Xiamen Electricity and Shipping Agent Company received RMB12,024,608.10, RMB96,034,526.90, RMB543,230.00 and RMB59,070.00 respectively as the second tranche of the compensation (representing 10% of the respective total compensation) pursuant to the Land Resumption Agreements.

(b) On 25 February 2013, a resolution was passed at the 21st meeting of the third session of the Board of the Company to approve the merger and synchronous contribution agreement on the establishment of Xiamen Container Terminal Group Co., Ltd. (temporarily named), the joint venture contract of Xiamen Container Terminal Group Co., Ltd. and the Articles of Association of Xiamen Container Terminal Group Co., Ltd. which are to be entered into among the Company and its controlling shareholder Xiamen Port Holding, Xiamen Xiangyu Logistics Group Corporation, Xiamen ITG Group Corp., Ltd., and New World (Xiamen) Port Investments Limited, so as to integrate the assets and businesses of the related container terminals in Xiamen port. On the same day, the above agreement, contract and the articles of association were formally signed. The foregoing transactions shall be subject to the approval at the general meeting of the Company and the approval procedures by relevant government authorities in accordance with the relevant laws and regulations.

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