



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

Stock Code: 3378



2014 Annual Report



* For identification purpose only



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Corporate Information

EXECUTIVE DIRECTORS

LIN Kaibiao (*Chairman*)
FANG Yao (*Vice Chairman*)
HUANG Zirong
KE Dong¹

NON-EXECUTIVE DIRECTORS

ZHENG Yongen
CHEN Dingyu
MIAO Luping²
FU Chengjing

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Feng
HUI Wang Chuen
LIN Pengjiu
HUANG Shumeng
SHAO Zheping³

SUPERVISORS

YU Mingfeng³
ZHANG Guixian³
LIAO Guosheng⁴
WU Weijian
TANG Jinmu
XIAO Zuoping

JOINT COMPANY SECRETARIES

YANG Hongtu⁵
Mok Ming Wai⁵

AUTHORISED REPRESENTATIVES

HUANG Zirong
YANG Hongtu⁵

REGISTERED ADDRESS

No. 439 Gangnan Road
Haicang District, Xiamen City
Fujian Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

AUDITORS

International auditor:
PricewaterhouseCoopers

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

as to PRC law:
King & Wood Mallesons

PRINCIPAL BANKERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

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

3378

LISTING DATE

19 December 2005

Notes:

1. Re-designated from Non-executive Director to Executive Director since 28 February 2014
2. Re-designated from Executive Director to Non-executive Director since 28 February 2014
3. Newly appointed since 28 February 2014
4. Newly appointed since 27 February 2014
5. Newly appointed since 8 July 2014



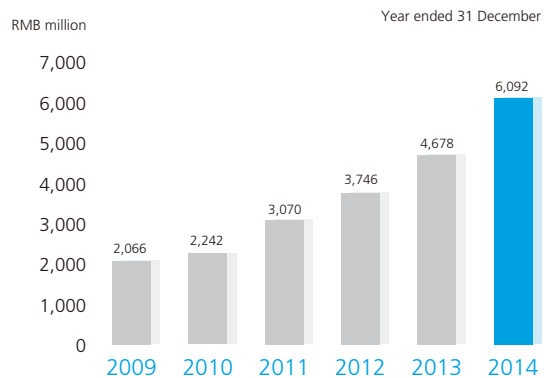
Corporate Profile

Xiamen International Port Co., Ltd. (“Xiamen Port Co.” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) is the largest port terminal operator in Xiamen, the People’s Republic of China (the “PRC” or “China”). It is also the only company providing full scale ancillary value-added port services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and ancillary value-added port services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of merchandise in Xiamen. The Group currently operates six container terminals, namely the Haitian Container Terminal (“Haitian Terminal”, including the newly-included original New World Xiangyu Terminal (“Xiangyu Terminal”)), Xiamen International Container Terminal (“XICT”), Hairun Terminal, Xiamen Haicang International Container Terminal (“XHICT”) and Songyu Terminal, Xinhaida Terminal, as well as the Dongdu Terminal and ITG Terminal, which operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates totally 26 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in 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 berth No. 8 in the Haicang port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of business development.

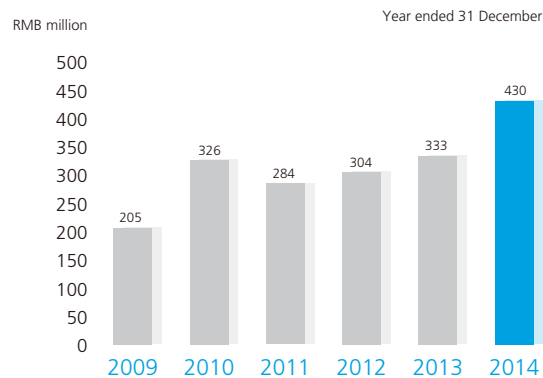
Financial Highlights

	Year ended 31 December					
	2009	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenues	2,065,904	2,241,717	3,069,703	3,745,921	4,678,421	6,092,000
Gross profit	437,840	565,001	587,813	616,883	655,955	845,589
Operating profit	322,821	459,728	449,545	570,126	683,983	1,026,970
Profit before income tax expense	310,771	458,649	450,288	548,941	671,431	967,935
Profit for the year	271,183	406,121	388,001	443,643	520,196	740,149
Profit attributable to owners of the Company	205,091	325,814	284,337	303,587	332,789	429,911
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	7.52	11.95	10.43	11.14	12.21	15.77

Revenues



Profit attributable to owners of the Company



Financial Highlights

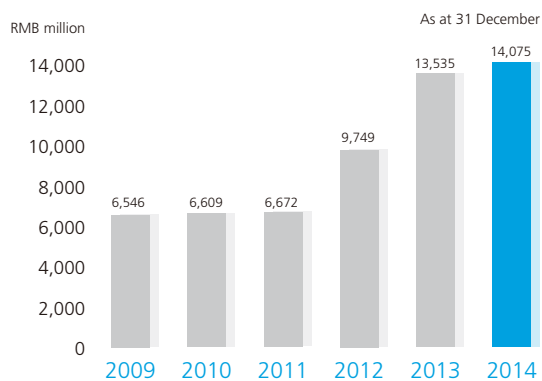
As at 31 December

	2009	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	6,546,137	6,609,407	6,671,807	9,749,410	13,535,272	14,075,129
Equity attributable to owners of the Company	3,871,063	3,906,187	3,924,498	5,130,429	4,535,506	4,798,765
Total liabilities	1,758,284	1,742,261	1,719,161	3,036,057	5,038,363	4,971,889
Cash and cash equivalents	806,557	1,154,304	926,176	827,469	872,760	648,058

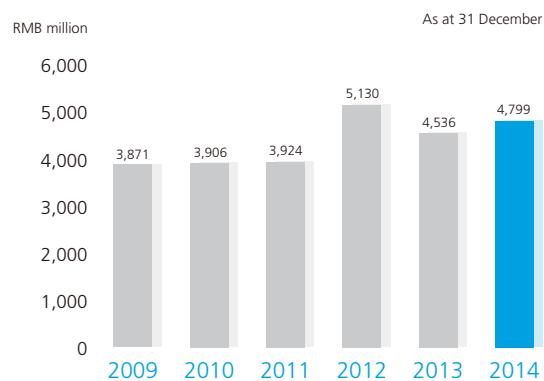
As at 31 December

	2009	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current ratio (times)	1.53	1.70	1.68	1.71	0.90	0.94
Gearing ratio (%)	(9.66)	(18.56)	(10.90)	(10.03)	(11.12)	(16.29)
Inventory turnover days	30	32	31	27	26	28
Accounts receivable turnover days	94	94	72	68	60	56

Total assets



Equity attributable to owners of the Company





Chairman's Statement

I hereby present the annual report for the year ended 31 December 2014 of the Group to the shareholders.

In 2014, the global economy showed a sluggish recovery and continued to maintain a slow growth momentum. After experiencing more than 30 years of rapid economic growth, the Chinese economy is shifting its gears to natural deceleration in terms of the growth rate, and the economic development has entered into the phase of a “new normal” with the growth rate changing from high to medium-to-high pace. Both domestic and international economic environment faced by the port operations is becoming more severe. Confronted with a complex market environment, the Group principally focused on the construction of the Southeast International Shipping Centre (東南國際航運中心), fully leveraged the operation scale and advantages of port integrated logistics services of the Group, and deployed all resources on a flexible basis to develop its core businesses. Meanwhile, the Group also actively facilitated the effective integration of resources, strengthened corporate management and control, greatly promoted energy conservation, facilitated the transformation and upgrading of enterprise and effectively implemented and materialized various measures, which enables the Group to maintain a steady growth for its port business in 2014.

For the year ended 31 December 2014, the revenue of Xiamen Port Co. was approximately RMB6,092,000,000, representing an increase of approximately 30.2% compared to the previous year; the profit after tax was approximately RMB741,149,000, representing an increase of approximately 42.5% compared to the previous year; and the profit attributable to owners of the Company was approximately RMB429,911,000, representing an increase of approximately 29.2% compared to the previous year. Basic and diluted earnings per share attributable to owners of the Company were approximately RMB15.77 cents, representing an increase of approximately 29.2% compared to the previous year.

The board of directors (the “Board”) recommended the payment of a final dividend of RMB6.0 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB163,572,000 (tax inclusive).

In 2014, the Group focused on the development of the port core business, exerted efforts to capture good opportunities for successful integration of the port container resources, and adopted various positive measures to ensure sustainable and healthy development of the port business. Firstly, smoothly carrying out the resources integration: the Group coordinated and utilized the productive resources in port areas such as Haitian and Xiangyu, as well as synchronized and integrated the production system for terminals, gradually formed a sizable production structure for ports and furtherly utilized the advantage of such scale. Based on the basic principle of “Utilizing Deep Water for Deep



Chairman's Statement

Use, and Shallow Water for Shallow Use”, the Group optimized the composition of shipping routes for port areas and adjusted the functions for terminal operations. Ocean-going line business was therefore allocated to the deep water ports outside the Xiamen island, which basically determined the development pattern on shipping line business regarding to “Dongdu Port Area Focuses on Developing the Route Businesses for Coastal, Sub-route and Cross-strait, while Port Areas of Haicang and Songyu Focus on Developing the Ocean-going Line Business” and also availably enhanced the utilization efficiency of resources. Secondly, steady development of the port core business: the Group leveraged the advantage of business supply chain, coordinated its member corporations to proceed foreign joint marketing and collaboration, strengthened the marketing to vessel owners' headquarters, fully utilized the opportunity for integrating the terminal resources and increased effort to facilitate reasonable return of charge rates for port services. The Group also explored incremental and value-added businesses, extended industrial and value chains, focused on supporting increment businesses such as the development of international transshipment, domestic sub-route transshipment, vessel transloading, empty container reposition and cross-strait shipping, as well as value-added businesses such as “Import Tax Bonded Warehouse” and “Export Supervised Warehouse”; the Group explored the terminal strategic resources and enhanced the sustainable development capability for core businesses, therefore the infrastructure construction of the project of berths no. 20 and no. 21 in the Haicang port area progressed smoothly and the relevant loading and uploading equipments will be delivered and installed by the middle of 2015. Thirdly, steady implementation of hinterland strategy: the container sub-route transshipment business of the Group promoted a rapid growth, whereas the annual throughput for domestic sub-route in 2014 recorded a year-on-year growth of approximately 21.4%, and the throughput of container transshipment for domestic trade recorded a year-on-year growth of approximately 7%; along with the outstanding function of sub-route port service from Fuzhou Haiying Terminal, a throughput for containers of approximately 250,000 Twenty-foot Equivalent Units (“TEUs”) was achieved in 2014 with year-on-year growth of approximately 12.4%; the cargo-canvassing networks of land-based port have been continuously improved while the construction of the first phase project of Sanming Land-based Port (三明陸地港) warehouse area had been commenced in November 2014, and the construction of the first phase and port operation area of Ji'an Land-based Port (吉安陸地港) had been completed and put into operation in June 2014, which has also obtained the qualification of custody location from custom. The construction for sub-route terminal of Xiaohongshan in Chaozhou port was on the right track, the construction of which had been commenced in June 2014. Fourthly, continuous improvement of the service level: the Group concentrated on enhancing the berthing capacity of its terminals, Songyu Terminal has currently become the only terminal for container vessels with 200,000 tonnes in Xiamen port via the upgrade and reconstruction of its terminal, while Hairun Terminal was equipped with berthing capacity for container vessels with 150,000 tonnes,



Chairman's Statement

which better adopts to the trend of larger-scale carriers; the Group also set out and consolidated the customer service standards for its container terminals, and unified the telephone numbers for customer service hotline so as to further improve the port service brand and image for the Company. The Group also made effort to increase the operation efficiency, whereas the punctuality rate of vessels was approximately 94% after the integration between Haitian and Xiangyu Terminals, and the vessel operating efficiency of XICT maintained at approximately 119.4M/H. According to the report issued by JOC Institute in the United States in July 2014, the vessel operating efficiency of XICT of 117M/H ranked 11th among the world in 2013. During the period under review, the Group achieved a continuous and steady growth in container throughput and bulk/general cargo handling capacity in Xiamen with approximately 7,292,000 TEUs and approximately 10,581,000 tonnes respectively (the handling capacity of the aforesaid businesses of XICT and others terminals was included on a 100% basis, and the data below will be calculated on the same basis), of which, the container throughput accounted for approximately 85.1% and 57.4% of the total container throughput of Xiamen City and Fujian Province, respectively, which continued to maintain its leading market position within the port industry in Xiamen City and Fujian Province.

While devoting contribution to the core businesses, the Group also actively strengthened its corporate governance, promoted refined corporate management and enhanced our corporate management level. In the year, the Group has completed the re-elections for the Board, Supervisory Committee and four professional committees under the Board as scheduled according to the procedures, and established a Corporate Governance Committee to facilitate the regular operation of a listed company. Regarding to the compensation for early relocation of Dongdu port area, purchase of financial products by Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司) ("Xiamen Port Development"), connected transactions entered into between the Group and Xiamen Sinopetro Port Services and Storage Co., Ltd.* (廈門中油港務倉儲有限公司) ("XSP"), the Group has made appropriate information disclosure. The Group reinforced its relationship with investors, and convened a total of 17 meetings with investors in 2014 to efficiently uphold the market image for the Company. The Group strengthened the monitoring and control on substantial transactions and connected transactions, and focused on the professional training for member corporations and connected corporate personnel in relation to connected transactions; and established a reporting system for legal affairs in order to facilitate the compliant operation for transactions entered into between member corporations. On the other hand, the Group further strengthened its internal control and improved the internal control system on the best effort basis. First of all, it is to adapt the strategy management and control requirement for the Group, re-adjusted the hierarchy of functional departments with the corresponding duties for the Company and adjusted the internal control and risk management organization with its duties



Chairman's Statement

accordingly. Secondly, it is to fully organize the internal control process and conduct risk level assessment, propose a list of risk control for the Company, set up and implement various systems such as “Regulations on Internal Control Management” and “Requirements for Internal Audit and Management” to improve the internal control system. Meanwhile, the Group committed to the concept of implementing refined management to increase effort on reducing costs and enhancing efficiency for the management, in which mainly included: to promote the centralized management for capital to reduce financial cost; to expand financing channels, whereas the Company can access offshore financing as a foreign investment joint stock company and save up to RMB8.91 million of financing cost annually; and to strengthen tax revenue planning and strive for various government subsidies and awards. For instance, regarding to the equity interests and relevant asset contribution during the integration of container terminal resources, the Company exerted great effort in gaining support from tax authorities and efficiently lowered the tax revenue cost for the Group; the Group greatly supported energy saving and emission reduction, facilitated energy conservation technology and improvement, promoted the use of clean energy and boosted the green and low-carbon development for ports. The Group also actively promoted the port informatization-based construction, in which the construction of three projects, namely container business management platform, bulk/general cargo business management platform and intelligent gate has been in full operation. The operation system of container intelligent tallying has been successfully developed, installed and implemented to relevant terminals, facilitating the transformation and upgrade for the Group's business step by step.

In 2015, it is expected that the global economy will still remain in a time of post-financial crisis in-depth adjustment, whereas the growth rate of the global economy may slightly rebound. However, a clear improvement for the weak momentum of overall recovery is unlikely. In Mainland China, according to the forecast made by the Chinese government and its relevant authorities, the estimated national economic growth rate of China in 2015 will be approximately 7%, which is slightly lower than that in 2014 despite the fact that the economy continuously maintains a steady growth momentum. On the other hand, since Fujian Pilot Free Trade Zone has been approved to be established by the Chinese government at the end of 2014, along with the commencement of its formal operation in 2015, Xiamen port will further emphasize its status in relation to the foreign trade and economic cooperation and Taiwan Strait shipping. This will be beneficial to the construction of the Southeast International Shipping Centre in Xiamen and facilitate the sustainable development for the businesses of Xiamen port and the Group. As a result, the Group will encounter challenges from economic development in 2015 together with the existence of ample opportunities.



Chairman's Statement

Looking forward to the year of 2015, the Group will continue to maximize the overall interests of the shareholders as its ultimate goal, highly concentrate on the development of its principal business of port integrated logistics services, initiatively adapt to the “new normal” of economic development, fully explore the growth potential of enterprise, exert great efforts in developing new emerging business and strengthen and grow its core port businesses; continuously deepen the integration of port resources, optimize the allocation of resources, enhance the centralization of industrial resources, promote the scale operation and overall operation, and enhance the utilization efficiency of resources; and also continuously promote the overall marketing, actively explore the hinterland for cargo sources, seek to provide our customers with more convenient and quality services and explore cooperation opportunities with others through such quality services. Meanwhile, the Group will strictly comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), constantly promote its corporate governance, strengthen the internal control system, continuously enhance the level of corporate control; further facilitate refined management, strictly conduct budget management, strengthen capital operation and increase efficiency with lower costs; promote energy conservation and emission reduction, highlight creative-driven development, facilitate the transformation and upgrading of enterprise and strive for making progress amidst stability, so as to create stable returns for our shareholders.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the unrelenting trust and support of all shareholders, investors and business partners, and greatly thank all employees for their positive contributions to the Group's business development in the past year. Looking into the future, with the unremitting efforts of all our staff and the full support of our shareholders, I believe that the Group will continue to grow steadily and create a new stage for the port development.

LIN Kaibiao

Chairman

Xiamen, the PRC

27 March 2015



Management Discussion and Analysis

INDUSTRY OVERVIEW

Continued growth of China's foreign trade and port container business

In 2014, amidst the slow recovery of the world economy, there was a clear distinction in economic growth among the developed economies, while the major emerging economies suffered further slowdown in economic growth. The Chinese economic development has entered into the phase of a “new normal”, and encountered a relatively greater downward pressure. On the other hand, as the Chinese government steadily pushed forward various reforms in the field of foreign trade and implemented policies and measures to promote the steady growth of foreign trade, the foreign trade of China maintained a stable growth and ran within a reasonable range in 2014, through it did not perform as well as expected in the beginning of 2014. According to the relevant information released by the National Bureau of Statistics of the PRC, the gross national product of the PRC in 2014 was approximately RMB63,646.3 billion, representing an increase of approximately 7.4% over the corresponding period of 2013 (the same as below) with continued growth; the total import and export volume of goods of the PRC was approximately RMB26,433.4 billion, representing an increase of approximately 2.3%, among which, the exports of goods for the whole year increased by 4.9% to approximately RMB14,391.2 billion and the imports of goods for the whole year decreased by 0.6% to approximately RMB12,042.3 billion. After offsetting the import and export volume of goods, the foreign trade surplus was RMB2,348.9 billion, representing an increase of approximately RMB739.5 billion as compared with last year. For the port operation business, China's port cargo throughput was approximately 11.16 billion tonnes in 2014, representing a year-on-year increase of approximately 4.8%, while the port container throughput was approximately 200.93 million TEUs, representing a year-on-year growth of approximately 6.1%.

Foreign trade of Fujian and ports in Xiamen

Benefiting from the sustained growth of China's macro-economy and the ongoing advancement of the construction of “One Belt, One Road” strategy (Silk Road Economic Belt and 21st Century Maritime Silk Road) by the Chinese government, Fujian Province, as a cutting-edge platform of economy and trade cooperation for the Maritime Silk Road, has continued to maintain a stable economic growth and improve the level of its foreign economy and trade. Based on the data provided by the Fujian provincial government, the gross domestic product of Fujian Province in 2014 amounted to approximately RMB2,405.6 billion, representing a year-on-year growth of approximately 9.9%. The total value of



Management Discussion and Analysis

exports and imports of foreign trade was approximately USD177.5 billion, representing a year-on-year growth of approximately 4.8%, and the port cargo throughput amounted to approximately 492 million tonnes, representing an increase of approximately 8.1% over the previous year, while the container throughput was approximately 12.707 million TEUs, representing an increase of approximately 8.7% over the previous year.

In 2014, as Xiamen City continued to facilitate the construction of Southeast International Shipping Centre and effectively leverage the scale advantages generated from the integration of the port container resources in Xiamen, the port business in Xiamen continued to maintain a stable growth. In 2014, the total container throughput of Xiamen port was approximately 8.572 million TEUs, representing an increase of approximately 7.1% over the year of 2013. It continued to rank 8th in terms of container throughput among the ports in mainland China, accounting for approximately 67.5% of the total container throughput in Fujian Province. In addition, on 12 December 2014, the Chinese government formally approved the establishment of the China (Fujian) Pilot Free Trade Zone with a total land area of 43.78 square kilometres in Xiamen, which endows Fujian with the privileges to carry out pilot programs featured by liberalization of investment, facilitation of trade and internationalization of finance.

BUSINESS REVIEW

For the year ended 31 December 2014, the Group was principally engaged in port terminal businesses in relevant terminals in Dongdu port area and Haicang port area in Xiamen, as well as 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 selling business of building materials as well as merchandise trading business (such as steel and chemical raw materials).

Scale of Operations

For the year ended 31 December 2014, the Group owned and operated 26 berths for containers of international and domestic trade and bulk/general cargo, with a water 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 19,000 TEUs. The Group also had a large area for warehousing facilities (depot/warehouse) and relevant auxiliary facilities both inside and outside the terminal area.



Management Discussion and Analysis

Following the establishment of Xiamen Container Terminal Group Co., Ltd. (“Xiamen Terminal Group”) on 13 December 2013, the Group unified and adjusted the business functions and routes layout of ITG Terminal and other berths based on the actual situation of the terminals and berths under the Xiamen Terminal Group, as well as the requirement of the related land and assets resumption and business relocation of Dongdu Terminal. Therefore, as of 31 December 2014, the Group had a total of six terminals to operate container loading and unloading business, namely, (1) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 11, and the newly added Dongdu berths No. 12 to No. 16 in the former Xiangyu Terminal); (2) Songyu Terminal (Songyu berths No. 1 to No. 3), XHICT (Haicang berth No. 1) and XICT (Haicang berths No. 2 and No. 3, and Haicang berths No. 1 to No. 3 under unified operation) as well as Hairun Terminal (Haicang berths No. 4, No. 5 and No. 6) and Xinhaida Terminal (Haicang berths No. 18 and No. 19), all situated in Haicang port area.

In addition, as of 31 December 2014, the Group also operated berth No. 2 of Dongdu Terminal in Dongdu port area, and ITG terminal (Dongdu berths No. 20 and No. 21) for bulk/general cargo loading and unloading of both international and domestic trade.

Apart from the above-mentioned 26 berths owned by the Group, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司) 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 business and the port-related comprehensive logistics business from 20 November 2012.

Management Discussion and Analysis

Container port business

During the reporting year, the Group achieved a container throughput of 7,542,453 TEUs and details of container throughput achieved by each terminal were as follows:

	Container throughput		
	2014 (TEUs)	2013 (TEUs)	Increase/ (decrease)
Haitian Terminal and Hairun Terminal of the Group [#]	3,756,978	2,456,113	53.0%
XICT and XHICT [*]	1,059,481	879,326	20.5%
Songyu Terminal [Ⓞ]	955,746	62,072	1,439.7%
Xinhaida Terminal [Ⓞ]	972,482	4,518	21,424.6%
Berth No. 1 of Dongdu Terminal [*]	547,141	1,319,763	(58.5%)
Total throughput in Xiamen region	7,291,828	4,721,792	54.4%
Fuzhou Zhongying Terminal (international and domestic trade) [△]	250,625	222,887	12.4%
Total throughput	7,542,453	4,944,679	52.5%

[#] Haitian Terminal formerly included Dongdu berths No. 5 to No. 11. Following the establishment of Xiamen Terminal Group on 13 December 2013, Xiangyu Terminal (Dongdu berths No. 12 to No. 16) and ITG Terminal (Dongdu berths No. 20 to No. 21) became terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group. In 2014, Xiamen Terminal Group carried out integration in respect of its terminals resources, and accordingly Xiangyu Terminal and ITG Terminal were included in the management by Haitian Terminal, while ITG Terminal has been leased to Xiamen Port Development for operation of bulk/general cargo business since 1 April 2014. Therefore, for the purpose of operational information set out herein, the related operating figures of Haitian Terminal also contain the figures of containers business of Dongdu berths No. 5 to No. 16 and ITG Terminal during the relevant period. In addition, prior to the establishment of Xiamen Terminal Group on 13 December 2013, Hairun Terminal only included berths No. 4 and No. 5 in Haicang port area, whereby it leased and operated berth No. 6 in the same area from Xiamen Port Holding Group Co., Ltd. (廈門港務控股集團有限公司) ("Xiamen Port Holding" or "XPHG") before 13 December 2013 due to the needs of its business development; following the establishment of Xiamen Terminal Group, berth No. 6 in Haicang port area became its assets and such berth was included in the Hairun Terminal, correspondingly. Therefore, for the purpose of operational information set out herein, the related operating figures of Hairun Terminal also contain the figures of berth No. 6 in Haicang port area of Xiamen port, which are consolidated in the calculation.

^{*} Before 13 December 2013, Xiamen International Container Terminals Ltd. ("XICT") and Xiamen Haicang International Container Terminals Ltd. ("XHICT") were joint ventures established by Xiamen Haicang Port Company Limited ("Xiamen Haicang Port"), formerly one of the Company's subsidiaries, or the Company with Hutchison Ports Xiamen Limited and Hutchison Port Haicang Limited, respectively. After 13 December 2013, XICT and XHICT became the joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Port Haicang Limited, respectively. Since 1 September 2008, due to the commencement of unified operation between XICT and XHICT, the relevant operational information of XICT also contains the figures of XHICT correspondingly, which are consolidated in the calculation and 100% calculated into port business. The Company adopted HKFRS 11 "Joint arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures and the interest of which was accounted by equity method. The Group was still engaged in port business in the above terminals in 2014, and therefore the relevant operational information is set out herein.



Management Discussion and Analysis

- ⊕ Following the establishment of Xiamen Terminal Group on 13 December 2013, Songyu Terminal and Xinhaida Terminal became the terminals controlled and operated, directly, indirectly or jointly, by the Group and Xiamen Terminal Group. Corresponding to this, the relevant operating figures of the above two terminals in 2013 were the relevant operating figures for the period from 13 December 2013 to 31 December 2013, while the relevant figures of 2014 were the figures for the whole year, and all the above operating figures were 100% calculated into the port business. Therefore, due to the above difference in the calculation periods, the resources integration among its terminals by Xiamen Terminal Group, business growth and other factors, the container business throughput of the above two terminals increased significantly compared to the corresponding period of last year.
- ☆ Due to the implementation of the related land and assets resumption in Dongdu Terminal, the container business of berth No. 1 of Dongdu Terminal has been transferred to other berths of the Group since 1 June 2014, and the relevant figures of 2013 were the figures for the whole year. Therefore, due to the difference above, the container business throughput of berth No. 1 of Dongdu Terminal decreased compared to the corresponding period of last year.
- △ Since 20 November 2012, the Group leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operating container and general cargo loading and unloading business and the port-related comprehensive logistics business.

In 2014, as the Group actively implemented the overall marketing and hinterland strategy and strived to develop incremental businesses, the Group had continued to maintain a sustained growth of its container business. Of which, the container business in Xiamen region increased approximately 54.43% over the previous year, mainly due to: the container throughput for domestic trade was approximately 1.971 million TEUs, representing an increase of approximately 49.4% over the previous year; the feeder line container throughput was approximately 0.611 million TEUs, representing an increase of approximately 21.4% over the previous year; and the contribution of the business from the former shipping routes of Songyu Terminal, Xiangyu Terminal, ITG Terminal and Xinhaida Terminal to the container throughput of the Group. Besides, the Group fully capture good opportunities for successful integration of the container terminal resources of Xiamen port, effectively promoted the integration of internal resources and optimized the development layout of the shipping routes business of terminals under the Group, it also moderately curtailed the range of concession for all inclusive rate of container loading and unloading, strengthened preferential support for growing businesses and hinterland businesses and gradually facilitated the formation of reasonable port service rate, so as to enhance the profitability of port business.

Management Discussion and Analysis

Bulk/General Cargo Port Business

In 2014, the bulk/general cargo throughput handled by the Group amounted to a total 10,631,917 tonnes for the year with details as follows:

	Bulk/general cargo throughput		
	2014 (Tonnes)	2013 (Tonnes)	Increase/ (decrease)
Berths No. 2 to No. 4 of Dongdu Terminal*	7,602,637	7,019,487	8.31%
XICT and XHICT	1,532,399	2,129,694	(28.1%)
Songyu Terminal [⊕]	70,364	6,553	973.8%
ITG Terminal [⊕]	1,375,241	339,074	305.6%
Total throughput in Xiamen region	10,580,641	9,494,808	11.4%
Fuzhou Zhongying Terminal [△]	51,276	70,994	(27.8%)
Total throughput	10,631,917	9,565,802	11.1%

* Due to the implementation of the related land and assets resumption in Dongdu Terminal, the other bulk/general cargo business has been gradually transferred to ITG terminal since 1 April 2014, except that the related bulk cargo businesses, such as grain bulk business in berth No. 2, were still operated in this berth. In addition, Dongdu Terminal has leased part of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port for operating transshipment businesses of the loading and unloading of bulk/general cargo since November 2009. Therefore, for the purpose of the operational information set out herein, the relevant operating figures of bulk/general cargo of Dongdu Terminal also contain the figures of Mingda Terminal, which are consolidated in the calculation.

⊕ Following the establishment of Xiamen Terminal Group on 13 December 2013, Songyu Terminal and ITG Terminal became the terminals that are controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, of which, ITG Terminal has been leased to Xiamen Port Development for operation of bulk/general cargo business since 1 April 2014. Corresponding to this, the relevant figures of the above two terminals in 2013 were the relevant operating figures of them for the period from 13 December 2013 to 31 December 2013, while the relevant figures of 2014 were the figures for the whole year, and the above operating figures were 100% calculated into the port business. Therefore, due to the above difference in the calculation periods, the resources integration among its terminals operated by the Group, business growth and other factors, the bulk/general cargo business throughput of the above two terminals increased significantly compared to the corresponding period of last year.

△ Since 20 November 2012, the Group leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operating container and general cargo loading and unloading business and the port-related comprehensive logistics business.



Management Discussion and Analysis

During the reporting period, the Group's bulk/general cargo port business increased by approximately 11.1% as compared with the previous year. Of which, despite the resumption of related land and assets and relocation of the terminal business, the bulk/general cargo port business of Dongdu Terminal increased by approximately 8.31% as compared with the previous year, which was benefited from the more substantial growth in the business of certain cargo types, such as the imported stones, food, copper concentrate and concrete. As the business volume of exported sand for foreign trade plunged resulting from the mining regulation, the general cargo throughput of XICT declined significantly. The increase of the volume of container vessels for berthing and operation in 2014 led to the significant decrease of the general cargo vessels for the berthing and operation, causing the general cargo throughput of Fuzhou Zhongying Terminal to decrease by approximately 27.8%.

Ancillary Value-added Port Services

The ancillary value-added port services of the Group mainly included various businesses, such as shipping agency, tallying, tugboat berthing and unberthing, and related logistics services. During the reporting period, the Group took full advantage of the resource integration and route layout optimization in Xiamen Terminal Group, exerted more efforts to implement the overall marketing strategy, facilitated the interaction development between the ancillary value-added port services and the terminal loading and unloading business, and effectively enhance the external competitiveness of port-related businesses, so as to maintain a steady growth in ancillary value-added port services in general. During the year under review, although the operating vessels and frequencies in relation to the tugboat berthing and unberthing business decreased due to several factors, such as the popularization of the larger-sized vessels, its off-port market business in Hainan and Guangxi increased steadily and the operating revenue of the off-port markets increased by approximately 13% as compared with the previous year. The rates of shipping agency and tallying business declined due to market competition, whose market share remained relatively stable in general. It also has achieved the transformation and upgrading in intelligent operation or e-commerce innovation. The development of logistics business, such as cargos shipping in the warehouse, was in line with the expectation in 2014, while the bonded logistics business saw ups and downs as a result of the regional homogeneity competition. On the contrary, the businesses of the "Bonded Warehouse for Imported Cargos" and "Customs Custody Warehouses for Exported Cargos" jointly developed by the affiliated terminals under the Group and logistics enterprises expanded rapidly to reach the shipping line customers covering the United States, Europe and Australia.

Management Discussion and Analysis

Merchandise Trading Business

In 2014, adhering to the operation philosophy of port and trade integration and leveraging on the port business platform, the Group prioritized the development of the businesses which contribute more to the port throughput businesses and the port-surrounding logistics supply chain of the Group, leading to the rapid development of trading businesses of coal and steel. On the other hand, due to the effect of the domestic and international macro-economic and trading conditions, the Group was subject to greater trade risks, which having impact on the profitability of the trading business. In view of this, the Group has further reviewed and improved the internal management system and management procedures, strengthened risks management and promoted the prudent and stable operation of the trading business.

FINANCIAL REVIEW

Revenue

Revenues of the Group increased by approximately 30.2% from approximately RMB4,678,421,000 for the year ended 31 December 2013 to approximately RMB6,092,000,000 for the year ended 31 December 2014. The increase was mainly due to the increase in revenue from the Company's trading business of merchandise, container loading and unloading and storage business and ancillary value-added port services.

Revenue by business sector

	For the year ended 31 December		
	2014 (RMB'000)	2013 (RMB'000)	Increase
Business			
Container loading and unloading and storage business	1,262,003	986,819	27.9%
Bulk/general cargo loading and unloading business	181,330	172,672	5.0%
Ancillary value-added port services	1,076,694	882,141	22.1%
Manufacturing and selling of building materials	369,388	313,889	17.7%
Trading business of merchandise	3,202,585	2,322,900	37.9%
Total	6,092,000	4,678,421	30.2%



Management Discussion and Analysis

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2014 compared with 2013 are as follows:

1. The container throughput of the Group for the year ended 31 December 2014 was approximately 7,542,453 TEUs, representing a significant increase compared with 2013.
2. The increase of Group's total bulk/general cargo revenue was mainly due to the rising of bulk/general cargo throughput compared with 2013.
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. The sale volume of concrete rose with the expansion of market demand and the Group's market shares, which led to an increase in the revenue generated from manufacturing and selling of building materials of the Group.
5. The Group expanded the scope of trading business, which resulted in a significant increase in the revenue of the merchandise trading business.

Cost of sales

Cost of sales increased by approximately 30.4% from approximately RMB4,022,466,000 for the year ended 31 December 2013 to approximately RMB5,246,411,000 for the year ended 31 December 2014. The increase was primarily due to the increases 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.

- Cost of trading merchandise and cost of inventories consumed increased by approximately 34.1% from approximately RMB2,679,728,000 for the year ended 31 December 2013 to approximately RMB3,594,018,000 for the year ended 31 December 2014. The increase was mainly due to the Group's expansion of the scope of trading business and the increase in the volume of merchandise trading business, which led to the corresponding increase in cost.



Management Discussion and Analysis

- Cost of transportation and labor outsourcing increased by approximately 65.9% from approximately RMB343,086,000 for the year ended 31 December 2013 to approximately RMB569,063,000 for the year ended 31 December 2014. The increase was primarily due to increases in the Group's transportation and logistics business.
- Employee benefits expense increased by approximately 13.9% from approximately RMB498,600,000 for the year ended 31 December 2013 to approximately RMB567,969,000 for the year ended 31 December 2014. The increase was mainly due to the increase in the overall business volume of the Group which resulted in a corresponding increase of average remuneration and bonus expenditure related to the business volume.
- Depreciation and amortization cost increased by approximately 20.7% from approximately RMB282,473,000 for the year ended 31 December 2013 to approximately RMB340,847,000 for the year ended 31 December 2014. The increase was mainly due to the addition of property, plant and equipment by the Group during the year and the establishment of Xiamen Terminal Group at the end of 2013 and the newly added depreciation and amortization of the assets of ITG Terminal and Xiangyu Terminal to the depreciation of the year.

Gross profit

Due to the increase in the container port business of the Group, the Group's gross profit increased by approximately 28.9% from approximately RMB655,955,000 for the year ended 31 December 2013 to approximately RMB845,589,000 for the year ended 31 December 2014. Gross profit margin of the Group decreased from approximately 14.0% for the year ended 31 December 2013 to approximately 13.9% for the year ended 31 December 2014. The decrease in gross profit margin was due to the significant increase in revenues of the Group's trading business of merchandise and manufacturing and selling business which have a lower profit margin and their proportion to the total revenue increased from approximately 56% for the year ended 31 December 2013 to approximately 59% for the year ended 31 December 2014.



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Other gains

Other gains of the Group increased by approximately 122.9% from approximately RMB178,363,000 for the year ended 31 December 2013 to approximately RMB397,627,000 for the year ended 31 December 2014. The increase was mainly due to the relevant gains arising from certain land resumption, asset resumption transactions and other relevant compensation arrangements carried out between the Group and Xiamen Land Development Centre (as disclosed in the Company's announcement dated 14 October 2012, the Company's circular dated 16 November 2012, the Company's announcement dated 19 December 2014 and the Company's announcement dated 5 January 2015).

Operating expenses

The Group's operating expenses increased by approximately 16.9% from approximately RMB277,521,000 for the year ended 31 December 2013 to approximately RMB324,464,000 for the year ended 31 December 2014. The increase was primarily due to the raising of expenditure of Xiamen Terminal Group, a new subsidiary established in December 2013.

Operating profit

The Group's operating profit increased by approximately 50.1% from approximately RMB683,983,000 for the year ended 31 December 2013 to approximately RMB1,026,970,000 for the year ended 31 December 2014. The Group's operating profit margin was approximately 14.6% for the year ended 31 December 2013 and approximately 16.9% for the year ended 31 December 2014, which was mainly due to the increases in gross profit and other gains.

Income tax expense

The Group's income tax expense increased by approximately 50.0% from approximately RMB151,235,000 for the year ended 31 December 2013 to approximately RMB226,786,000 for the year ended 31 December 2014. The increase was mainly due to the rise in the Group's operating profit. The Group's applicable corporate income tax rate of the Group (except for the Company, Trend Wood Investments Limited ("Trend Wood") and Songyu Terminal) was 25%, the same as that of last year.



Management Discussion and Analysis

Profit for the Year

The Group's profit for the Year increased by approximately 42.5% from approximately RMB520,196,000 for the year ended 31 December 2013 to approximately RMB741,149,000 for the year ended 31 December 2014. The Group's profit margin was approximately 11.1% for the year ended 31 December 2013 and approximately 12.2% for the year ended 31 December 2014. The increase in profit margin for the Year was mainly due to the increase in operating profit margin.

Total comprehensive income for the Year

Total comprehensive income for the Year increased by approximately 47.3% from approximately RMB514,717,000 for the year ended 31 December 2013 to approximately RMB758,179,000 for the year ended 31 December 2014. Due to the market value of available-for-sale financial assets reflected a significant increase, other comprehensive income after tax generated from the change of fair value of available-for-sale financial assets of the Group increased by approximately RMB22,509,000 for the year ended 31 December 2014 compared with the year ended 31 December 2013.

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 66.1% from approximately RMB187,407,000 for the year ended 31 December 2013 to approximately RMB311,238,000 for the year ended 31 December 2014, 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 36.5% from approximately RMB327,310,000 for the year ended 31 December 2013 to approximately RMB446,941,000 for the year ended 31 December 2014. The increase was mainly due to the increase in profit for the Year.



Management Discussion and Analysis

Accounts and notes receivable

The Group's net accounts and notes receivable increased from approximately RMB778,201,000 as at 31 December 2013 to approximately RMB1,092,295,000 as at 31 December 2014. The increase was primarily due to the increase of the business.

As at 31 December 2014, the Group's gross accounts and notes receivable were approximately RMB1,115,035,000, of which approximately RMB1,004,033,000 accounts and notes receivable were aged within six months, accounting for approximately 90.0% of the total accounts and notes receivable, approximately RMB76,313,000 were aged between six months to one year, approximately RMB20,540,000 were aged between one year to two years, approximately RMB6,178,000 were aged between two years to three years and approximately RMB7,971,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable increased by approximately 33.2% from approximately RMB633,640,000 as at 31 December 2013 to approximately RMB844,105,000 as at 31 December 2014. This was primarily due to the increased in the accounts payable as a result of the increases in the trading business of merchandise and the ancillary value-added port services.

As at 31 December 2014, the Group's accounts and notes payable within one year were approximately RMB811,972,000, accounting for approximately 96.2% and due over one year were approximately RMB32,133,000, accounting for approximately 3.8%.

Borrowings

The Group's borrowings increased from approximately RMB1,935,925,000 as at 31 December 2013 to approximately RMB2,419,374,000 as at 31 December 2014, which was primarily due to the increase in bank loans for expansion of the operating businesses.

As at 31 December 2014, borrowings due within one year were approximately RMB1,525,412,000, due within one to two years were approximately RMB396,305,000, due within two to five years were approximately RMB419,541,000 and due over five years were approximately RMB78,116,000.

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As at 31 December 2014, the Group's guaranteed loan was approximately RMB196,048,000, of which approximately RMB132,500,000 was guaranteed by Xiamen Port Holding, approximately RMB50,548,000 was guaranteed by a state-owned bank, approximately RMB13,000,000 was guaranteed by Xiamen Suntory Container Logistics Co., Ltd. (廈門三得利貨櫃儲運有限公司). The Group's secured loans were approximately RMB206,793,000, of which approximately RMB5,722,000 were secured by the letters of credit, approximately RMB140,102,000 were secured by a bank deposit of USD24,000,000, approximately RMB60,969,000 were secured by a bank deposit of RMB66,000,000.

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 years ended 31 December 2013 and 2014 respectively:

	2014 RMB'000	2013 RMB'000
Net cash generated from operating activities	469,481	485,504
Net cash used in investing activities	(1,057,628)	(489,015)
Net cash generated from financing activities	363,310	53,567
Net (decrease)/increase in cash and cash equivalents	(224,837)	50,056
Cash and cash equivalents at beginning of year	872,760	827,469
Exchange losses on cash and cash equivalents	135	(4,765)
Cash and cash equivalents at end of year	648,058	872,760

The Group's cash and cash equivalents are denominated in RMB.

Operating activities

The Group's net cash generated from operating activities decreased by approximately 3.3% from approximately RMB485,504,000 in 2013 to approximately RMB469,481,000 in 2014. The main reasons for the decrease in net cash of operating activities included the increase in net cash generated from operations of approximately RMB159,852,000 in 2014, which is partially offset by the increase in interest paid of approximately RMB44,179,000 and the increase in income tax expense paid of approximately RMB131,696,000.

Management Discussion and Analysis

Investing activities

The Group's net cash used in investing activities increased from approximately RMB489,015,000 in 2013 to approximately RMB1,057,628,000 in 2014. The cash outflow in investment activities in 2014 was mainly due to the construction of fixed assets for operational use and cash paid for the consideration of acquisition of subsidiary in prior year.

Financing activities

The Group's net cash generated from financing activities increased from inflow of approximately RMB53,567,000 in 2013 to inflow of approximately RMB363,310,000 in 2014. The net cash generated from financing activities inflow in 2014 was primarily due to the cash inflow of approximately RMB2,302,999,000 from the newly borrowed loans, and the cash injection of approximately RMB444,365,000 by the non-controlling shareholders of the subsidiaries of the Company, partially offset by the cash outflow of borrowings repayment of approximately RMB2,072,732,000, payment to acquire 6.55% equity interest of Xiamen Terminal Group of approximately RMB120,000,000 and dividends paid during the Year of approximately RMB191,322,000.

Capital expenditure

The Group's capital expenditures in 2013 and 2014 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 2013 and 2014:

	2014 RMB'000	2013 RMB'000
Total capital expenditure	826,250	2,898,926

Capital expenditure commitments

As at 31 December 2014, the Group's capital expenditure commitments were approximately RMB945,025,000, consisting of expenditure on constructing and improving port terminal and storage infrastructure, acquisition of loading machineries and other machineries and building renovation.



Management Discussion and Analysis

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 impact on the business operations of the Group. The Group believes that the appreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2014.

The Group has not used any 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 should the need arise.

Net debt to equity ratio

The Group's net debt to equity ratio changed from approximately 11.12% as at 31 December 2013 to approximately 16.29% as at 31 December 2014, which was mainly due to the increase in borrowings and payables resulted from the expansion of businesses, the reorganization and establishment of new subsidiaries.

Contingent liabilities

As at 31 December 2014, the Group had no significant contingent liabilities.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2014, the Group had a total of 6,477 employees, representing a decrease of 210 employees as compared to 31 December 2013. The decrease was mainly due to the optimization and integration of internal human resources of Xiamen Terminal Group upon its establishment as well as the business relocation and personnel integration of Dongdu Terminal. During the year, the total staff cost accounted for approximately 12.05% of the revenue of the Group. Employees' remunerations of the Group included basic salary, other allowances and performance-based bonus, were 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.



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ESTABLISHMENT OF NEW COMPANIES

On 8 April 2014, Xiamen Port Shipping Co., Ltd. (廈門港務船務有限公司) (“Port Shipping”), an indirect subsidiary of the Company, invested to establish Hainan Xiagang Tugboat Co., Ltd. (海南廈港拖輪有限公司) (“Hainan Xiagang”) in the Economic Development Zone of Yangpu, Hainan Province, which is principally engaged in the port tugboat berthing and unberthing services. The registered capital of Hainan Xiagang, a wholly-owned subsidiary of Port Shipping, is RMB72,000,000 and the relevant industrial and commercial registration formalities have been completed.

On 8 July 2014, Ji’an Port Development Co., Ltd. (吉安港務發展有限公司) (“Ji’an Port Development”), an indirect subsidiary of the Company, invested to establish Ji’an Port Logistics Co., Ltd. (吉安港務物流有限公司) (“Ji’an Port Logistics”) in Ji’an City, Jiangxi Province, which is principally engaged in the domestic and international freight forwarding agency services (excluding transportation) and other services such as cargo warehousing, container loading and unloading, import and export container consolidation and empty container stacking. The registered capital of Ji’an Port Logistics, a wholly-owned subsidiary of Ji’an Port Development, is RMB10,000,000 and the relevant industrial and commercial registration formalities have been completed.

On 30 October 2014, Xiamen Port Transportation Co., Ltd. (廈門港務運輸有限公司) (“Port Transportation”), an indirect subsidiary of the Company, entered into the Joint Venture Contract in respect of Xiamen Port Jixing Transportation Co., Ltd. (《廈門港集興運輸有限公司合資合同》) with Xiamen Jizhou International Logistics Co., Ltd. (廈門集舟國際物流有限公司) (“Xiamen Jizhou”), pursuant to which, both parties jointly invested to establish Xiamen Port Jixing Transportation Co., Ltd. (“Xiamen Port Jixing”) to provide empty container reposition services in the port. The registered capital of Xiamen Port Jixing is RMB9,500,000, which was owned as to 51% by Port Transportation and 49% by Xiamen Jizhou. On 8 December 2014, Xiamen Port Jixing was formally established and the relevant industrial and commercial registration formalities have been completed.

On 17 December 2014, China Ocean Shipping Agency (Xiamen) Co., Ltd. (“Ocean Shipping Agency”), an indirect subsidiary of the Company, invested to establish Xiamen Ocean Shipping Agency (Hong Kong) Co., Ltd. (廈門外輪代理(香港)有限公司) (“Hong Kong Ocean Shipping Agency”) in Hong Kong, which is principally engaged in the domestic and international shipping agency and freight forwarding agency as well as logistics information advisory services. The registered capital of Hong Kong Ocean Shipping Agency, a wholly-owned subsidiary of Ocean Shipping Agency, is HKD1,000,000 and the relevant industrial and commercial registration formalities have been completed.



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OTHER MAJOR EVENTS IN 2014

On 8 December 2014, the Board announced that, pursuant to the BT Agreement entered into among Xiamen Port Development, a direct subsidiary of the Company, and CCCC Third Harbour Engineering Co., Ltd. (中交第三航務工程局有限公司) (together with Xiamen Port Development, collectively referred to as the “Joint Investors”) and Zhangzhou Gulei Transportation Development Co, Ltd. (漳州市古雷交通發展有限公司) (“Gulei Company”) in relation to a highway construction project on 6 July 2012 (please refer to the announcement dated 6 July 2012 of the Company for the transaction details), Gulei Company has examined the above-mentioned highway and accepted that such highway complied with the relevant required standards in terms of quality and specifications in November 2014, after that, (i) the Joint Investors have agreed to transfer the use rights of the above project to Gulei Company within 30 days after the completion date; and (ii) Gulei Company has confirmed with the Joint Investors its agreement to commence its payment of the repurchase price to the Joint Investors for the transfer of the ownership of the abovementioned project. Please refer to the announcement dated 8 December 2014 of the Company for the transaction details.

On 19 December 2014, Xiamen Port Development has entered into the Early Relocation Agreement with Xiamen Land Development Centre, pursuant to which Xiamen Land Development Centre has agreed that, in addition to the total consideration of the construction works amounting up to RMB100,000,000 which will be entirely funded by Xiamen Land Development Centre as disclosed in the Company’s announcement dated 10 September 2014, it will provide to Xiamen Port Development a further cash compensation of not more than RMB262,680,000 to offset the costs and expenses to be incurred by Xiamen Port Development for the business relocation and the temporary settlement. Please refer to the announcement dated 19 December 2014 of the Company for the transaction details.

SUBSEQUENT EVENTS

On 27 March 2015, a resolution was passed at the extraordinary general meeting of the Company to authorize the Company to apply to the National Association of Financial Market Institutional Investors for the registration of the issue of the short-term notes in the PRC with an aggregate maximum principal amount not exceeding RMB2,500,000,000 on a rolling basis for a period of two years from the completion of the registration at the National Association of Financial Market Institutional Investors.



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FUTURE PROSPECTS

The year of 2015 is the key year for the Chinese government to comprehensively deepen the reform, and is also the closing chapter of its 12th Five-year Plan. Looking forward to 2015, it is expected that the recovery of global economy will remain slow. Internationally, the International Monetary Fund predicts that the global economic growth will be 3.5% in 2015, representing a slight increase over 2014. However, China's foreign trade export is still under the adverse effect of various factors, namely the overall global economy has not yet recovered to the level of growth prior to the international financial crisis, the rising international trade protectionism, and the decline in China's competitiveness in international export trade as a result of the increasing comprehensive costs in land and labour force. Domestically, despite the fact that the economic growth suffers from larger downward pressure, the Chinese government would continue to implement the proactive fiscal policies and prudent monetary policies, striving for a continuous growth in domestic demand. In 2015, the policy effect presented by a series of directional control policies and measures adopted by the Chinese government in 2014, such as structural tax reduction and foreign trade stabilization, will continue to flourish, and hence China's economy is expected to maintain stable growth in 2015. After taking into account of all the factors, the Chinese government forecasts that the growth rate of China's national economy will be approximately 7.0% in 2015, and the growth rates of national economy in Fujian Province and Xiamen City will be approximately 10% and 10.5% respectively, as estimated by the respective governments. The foreign trade export in Fujian Province and Xiamen City will both achieve a growth rate of approximately 6%. The national economy will strive to achieve stable and continuous development, laying a foundation for the growing Xiamen Port and port business.

Based on the above forecast on economic and trading conditions in 2015, the Company expects that its port business will encounter a complicated developmental environment in 2015, for which the Company will remain prudent and optimistic. Therefore, in 2015, the Company will put greater efforts to seize the opportunities and cope with the challenges bravely. The Company will also focus on the core port business, enhance its production and operation as well as corporate governance, and tighten cost control, so as to keep safeguarding and promoting shareholders' interests as always. In 2015, the Group intends to roll out the following measures, which are believed to boost the Group's results in the future:

- To leverage on the port business platform of the Company to create competitive edge. Firstly, the Group will adopt the overall marketing strategy to strengthen and improve the interactive coordination mechanism between its terminal loading and unloading business and the ancillary value-added port services, so as to achieve synergistic effect; secondly, in response to the



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change of all-in charges policy of port operation, the Group will establish the new port fee-charging system in a timely manner based on its actual conditions and its tracking of the implementation condition of the change of port fee-charging policy by the related ports, enabling the port fee to gradually resume a reasonable level; thirdly, the Group will enhance the resources allocation capabilities and operational efficiency of the ports by promoting the internal resources integration of the bulk/general cargo terminals and logistics; fourthly, the Group will improve the throughput capacity of the terminals. The Group will focus on further optimizing the functional layout for its container terminal business and promoting the restructure and upgrading of berths Nos. 1 to 3 in Haichang port area, so as to improve the infrastructure capability of the terminals. The Group will also accelerate the construction of berths Nos. 20 to 21 in Haichang port area and promote the preliminary work of berths No. 1 and No. 2 in Gulei north port area in Zhangzhou City, expanding the room for development of bulk/general cargo business.

- To expand the cargo source hinterland. Firstly, the Group will expand the business and investment of the coastal feeder terminals through actively exploring the coastal feeder terminals spread from Ningde area in Fujian Province to Chaozhou and Shantou areas in Guangdong Province, striving for the development of new feeder ports. Secondly, the Group will also promote the construction of land-based ports. It will speed up the construction of land-based ports in Sanming, Fujian Province and Ji'an, Jiangxi Province and promote the investment and development of land-based ports in Ganzhou, Jiangxi Province. Thirdly, the Group will enhance the management of cargo sources. It will strengthen the development of hinterland market, focus on developing incremental customers and strengthening customer maintenance, while improving the cargo flow, cargo source and customer structure, so as to steadily improve the proportion of basic cargo sources and direct customers.
- To strengthen the cooperation between port and shipping companies for mutual benefit. Firstly, the Group will enhance the strategic cooperation with the ship-owners, make effort to develop incremental businesses such as international container transshipment, feeder line, domestic trade container transshipment, vessel transloading and empty container reposition, so as to promote the construction of Southeast Shipping Center; secondly, the Group will uphold the "Large Client" strategy. Specifically, the Group has always been focusing on customer demand, innovative service model and marketing strategy for flexible resources allocation, with an aim of providing more convenient and better quality services to the clients and enhancing our service level. We strive to strengthen the cooperation with the ship-owners through our professional services.



Management Discussion and Analysis

- To seize the development opportunity from the policy implementation in China (Fujian) Free Trade Pilot Zone. Firstly, the Group will actively follow up and carry out studies on the relevant policies in Xiamen Free Trade Pilot Zone and develop modern and innovative port service industry by taking advantage of our port logistics information; secondly, the Group will actively expand the “Import Bonded Warehouse” and “Export Supervised Warehouse” business and other value-added port services, with the aim of elevating its position to a bonded logistics center.
- To promote the refined management. Firstly, the Group will continue to strengthen the establishment of the internal control system, while revising and improving the investment management and other systems, in order to reinforce the enforcement of various systems and prevent operating risks of the Company; secondly, the Group will comprehensively strengthen the overall budget management, account receivables management, centralized procurement and other special works, and implement strict costs control for boosting revenue while reducing costs; thirdly, the Group will enhance the capital management and improve the efficiency in capital utilization. The Group will focus on promoting the overseas financing, issuing the shortterm financing notes in a timely manner and reduce the financing costs.
- To promote the green and low-carbon development and facilitate the transformation and upgrading. Firstly, the Group will promote various energy-saving technological transformation such as “Change from Oil to Electricity”, “Change from Oil to Gas”, green lighting, processing optimization, with the focus of promoting “All-electricity Terminal”, a green development plan, of Xiamen Terminal Group, strive to complete the “Change from Oil to Electricity” for gantry cranes at Xiangyu Terminal and Hairun Terminal as soon as possible and initiate the demonstration project on marine shore power; secondly, the Group will strengthen the construction of informationization through establishing the port business platform framework and building an information exchange platform for the Group’s internal business, driving the development through innovation. The Group will focus on promoting the development and planning of the container business management platform, bulk cargo business management platform and intelligent gate project, as well as materializing the implementation of cloud storage program. The Group will also accelerate the development of the phase II of intelligent tallying operating system project and promote the upgrading of container tallying process.



Corporate Governance Report

The corporate governance framework of the Company is designed to ensure the Company's performance and maintenance of a high level of corporate conduct. The Board fully believes that the implementation of good corporate governance is the core of proper management of an organization, which helps to achieve the goal of an enterprise and ensures a higher level of transparency, thus better protecting the interests of its shareholders. The Board strives to maintain, promote and enhance the corporate governance level of the Company with responsible attitude and policies in a timely, transparent and effective manner. Accordingly, the Board has adopted the code provisions of the Corporate Governance Code (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 2014 to 31 December 2014 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 of the Listing Rules. The directors (the "Directors") of the Company consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the year ended 31 December 2014. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

THE BOARD

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

DIRECTORS

The third session of the Board comprised fourteen Directors, including five Executive Directors, namely Mr. LIN Kaibiao, Mr. FANG Yao, Ms. MIAO Luping, Mr. HUANG Zirong and Ms. HONG Lijuan; four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong; and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. ZHEN Hong, Mr. HUI Wang Chuen, Mr. LIN Pengjiu and Mr. HUANG Shumeng.

Corporate Governance Report

In accordance with the Articles of Association of the Company (the “Articles”), the term of office of each of the Directors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company’s first extraordinary general meeting in 2014 held on 28 February 2014, the thirteen Directors in office of the Company, namely Mr. LIN Kaibiao, Mr. FANG Yao, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong, Mr. KE Dong, Ms. HONG Lijuan, Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu and Mr. HUANG Shumeng, were re-elected and Mr. SHAO Zheping was newly appointed as a Director of the fourth session of the Board of the Company, of which, Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping (the newly-appointed Director) were appointed as Independent Non-executive Directors. On the same date, the Company convened the first meeting of the fourth session of the Board to elect Mr. LIN Kaibiao as the Chairman and Mr. FANG Yao as the Vice Chairman, appointed Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong, Mr. KE Dong and Ms. HONG Lijuan as Executive Directors, and appointed Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping and Mr. FU Chengjing as Non-executive Directors and continued to appoint Ms. HONG Lijuan as the secretary to the Board/company secretary (“Company Secretary”).

On 27 May 2014, Ms. HONG Lijuan passed away following an illness and ceased to be an Executive Director and the Company Secretary of the Company. Accordingly on 8 July 2014, the Company convened the sixth meeting of the fourth session of the Board to appoint Mr. YANG Hongtu, a Deputy General Manager of the Company, and Ms. MOK Ming Wai, a director of KCS Hong Kong Limited (a company providing a range of corporate accounting and corporate secretarial services in Hong Kong), as the joint company secretaries of the Company. The primary corporate contact person at the Company is Mr. YANG Hongtu, one of the joint company secretaries of the Company. Mr. YANG Hongtu and Ms. MOK Ming Wai have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2014.

Accordingly, as of 31 December 2014, the fourth session of the Board comprised a total of thirteen Directors, including four Executive Directors, four Non-executive Directors and five Independent Non-executive Directors. The details are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
LIN Kaibiao (<i>Chairman</i>)	Male	Han	48	Appointed on 28 February 2014
FANG Yao (<i>Vice Chairman</i>)	Male	Han	54	Appointed on 28 February 2014
HUANG Zirong	Male	Han	51	Appointed on 28 February 2014
KE Dong	Male	Han	54	Appointed on 28 February 2014

Corporate Governance Report

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
ZHENG Yongen	Male	Han	56	Appointed on 28 February 2014
CHEN Dingyu	Male	Han	57	Appointed on 28 February 2014
MIAO Luping	Female	Han	50	Appointed on 28 February 2014
FU Chengjing	Male	Han	52	Appointed on 28 February 2014

Independent Non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	48	Appointed on 28 February 2014
HUI Wang Chuen	Male	Han	70	Appointed on 28 February 2014
LIN Pengjiu	Male	Han	48	Appointed on 28 February 2014
HUANG Shumeng	Male	Han	52	Appointed on 28 February 2014
SHAO Zheping	Male	Han	50	Appointed on 28 February 2014

THE SUPERVISORY COMMITTEE

The third session of the Supervisory Committee of the Company comprised of six supervisors (the "Supervisors"), including two Shareholders representative Supervisors, namely Mr. YAN Tengyun 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.

In accordance with the Articles, the term of office of each of the Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. At the Company's first extraordinary general meeting in 2014 held on 28 February 2014, two Supervisors in office, namely Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected, Mr. YU Mingfeng and Mr. ZHANG Guixian were newly appointed as the Supervisors of the fourth session of the Supervisory Committee of the Company (Mr. WU Weijian was a staff representative Supervisor who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 27 February 2014, at the same time, Mr. LIAO Guosheng was newly appointed as a staff representative Supervisor of the fourth session of the Supervisory Committee at the said general meeting), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors. On the same date, the Company convened the first meeting of the fourth session of the Supervisory Committee to elect Mr. YU Mingfeng as the Chairman of the Supervisory Committee.



Corporate Governance Report

Accordingly, as of 31 December 2014, the Supervisors of the Company are as follows:

Supervisors:

Mr. YU Mingfeng (*Chairman of the Supervisory Committee*)

Mr. ZHANG Guixian

Mr. LIAO Guosheng

Mr. WU Weijian

Mr. TANG Jinmu

Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 62 to 76 of this annual report and published on the Company's website at <http://www.xipc.com.cn>.

The structure of the Executive Directors, Non-executive Directors and Independent Non-executive Directors of the Board, quorum and composition are well balanced and appropriate. All members of the Board possess professional knowledge required for performing their duties as well as extensive operation and management experience in various aspects such as terminal operation, corporate management, finance, law and investment and financing and is capable of acting in good faith, exercising due diligence and acting in the best interest of the Group and its shareholders.

During the year ended 31 December 2014, the Company has complied with the relevant requirements of Rule 3.10 and Rule 3.10A of the Listing Rules by appointing at least three Independent Non-executive Directors and having two Independent Non-executive Directors with appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of Independent Non-executive Directors appointed (i.e. five) is accounted for at least one-third of the members of the Board of the Company (i.e. thirteen).

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 the confirmations of the Independent Non-executive Directors, the Board is satisfied that, as at the date of this report, all Independent Non-executive Directors have maintained their status of independence as defined in the Listing Rules.



Corporate Governance Report

RESPONSIBILITY OF THE BOARD

The Board is responsible for the Company's corporate governance and is required to ensure proper compliance with applicable laws and regulations, to carry out 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 is accountable to shareholders and has fiduciary and statutory obligations owed to the Company and the Group. Under the leadership of the Chairman of the Company 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 accounts 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.



Corporate Governance Report

The management of the Company is responsible for various duties delegated by the Board, mainly including:

- taking charge of the daily management and operation of the Company and the business of the Group;
- organizing and implementing the resolutions of the Board;
- 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 specific rules and regulations of the Company.

On 28 February 2014, Mr. HUANG Zirong was re-appointed as the General Manager of the Company at the first meeting of the fourth session of the Board of the Company and Mr. KE Dong, Ms. HONG Lijuan, Mr. YANG Hongtu and Mr. CHEN Zhaohui were re-appointed as Deputy General Managers of the Company. On 27 May 2014, Ms. HONG Lijuan passed away following an illness and ceased to be a Deputy General Manager of the Company. Accordingly, as of 31 December 2014, the senior management of the Company includes Mr. HUANG Zirong (General Manager), Mr. KE Dong (Deputy General Manager), Mr. YANG Hongtu (Deputy General Manager) and Mr. CHEN Zhaohui (Deputy General Manager).

To ensure that the Board can operate independently, accountably and dedicatedly, the roles of the Chairman and the General Manager have been separated. There is a clear division of responsibility between them, each with different one. The Chairman is responsible for leading the Board, deciding the long term development strategy, overall development targets and business objectives of the Company. The Chairman is also responsible for convening and presiding over Board meetings; organizing and fulfilling the functions of the Board; and inspecting the execution of Board resolutions, and hence enabling a normal and effective operation of the Board with good corporate governance practices and procedures. The General Manager assumes the responsibility to perform the above duties and the other management duties in accordance with the Articles under the assistance and support of other members of the management, and is responsible for the daily operation and management of the Company to facilitate the Company to achieve its overall business targets. The Board of the Company 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.



Corporate Governance Report

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 appointment. Other than that, none of the Directors and Supervisors has any personal effective interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2014, 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. Each of the Independent Non-executive Directors also plays an important role in the five professional committees under the Board, of which four committees are chaired by each of them respectively, in order to promote good corporate governance in respect of financial audit and internal control, corporate governance policy and practices, 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 carry out 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.

The Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management to indemnify them against all liabilities howsoever arising from the corporate activities conducted by the senior management, such as the Directors. The insurance coverage will be reviewed by the Board 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 year of 2014, all Directors proactively attended each of the Board meetings and professional committees meetings with an attendance rate of 100%. The Board believes that each of the Directors has devoted sufficient time to the business of the Company during the Reporting Period and all of them are capable of discharging their functions diligently.

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 fourteen days in advance during the year of 2014. 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.

Corporate Governance Report

The Board meeting shall only be valid if attended by more than half of the Directors. Directors may attend the Board meeting in person or appoint, in written form, other Directors as proxies to attend the meeting on their behalf. If a Director has a conflict of interest in any resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

During the year of 2014, the third session of the Board has held two meetings. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
LIN Kaibiao	2/0	100%
FANG Yao	2/0	100%
MIAO Luping	2/0	100%
HUANG Zirong	2/0	100%
HONG Lijuan	2/0	100%
<i>Non-executive Directors</i>		
ZHENG Yongen	2/0	100%
CHEN Dingyu	2/0	100%
FU Chengjing	2/0	100%
KE Dong	2/0	100%
<i>Independent Non-executive Directors</i>		
LIU Feng	2/0	100%
ZHEN Hong	2/0	100%
HUI Wang Chuen	2/0	100%
LIN Pengjiu	2/0	100%
HUANG Shumeng	2/0	100%

Corporate Governance Report

The fourth session of the Board was elected and appointed on 28 February 2014, and has held ten meetings in 2014. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
LIN Kaibiao	9/1 ^a	100%
FANG Yao	9/1 ^b	100%
HUANG Zirong	10/0	100%
KE Dong	8/2 ^c	100%
HONG Lijuan	4/0 ^d	100%
<i>Non-executive Directors</i>		
ZHENG Yongen	9/1 ^e	100%
CHEN Dingyu	9/1 ^f	100%
MIAO Luping	10/0	100%
FU Chengjing	10/0	100%
<i>Independent Non-executive Directors</i>		
LIU Feng	9/1 ^g	100%
HUI Wang Chuen	10/0	100%
LIN Pengjiu	10/0	100%
HUANG Shumeng	9/1 ^h	100%
SHAO Zheping	8/2 ⁱ	100%

Notes:

- a Mr. LIN Kaibiao was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his trip away from Xiamen for other matters.
- b Mr. FANG Yao was present in person in nine of the ten 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. KE Dong was present in person in eight of the ten Board meetings, and the remaining two Board meetings were attended and voted on his behalf by other authorized Directors during his business trip away from Xiamen.
- d Ms. HONG Lijuan was present in person in the first to fourth meetings of the fourth session of the Board and subsequently ceased to be a Director due to her passing away following an illness.
- e Mr. ZHENG Yongen was present in person in nine of the ten 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.



Corporate Governance Report

- f Mr. CHEN Dingyu was present in person in nine of the ten 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.
- g Mr. LIU Feng was present in person in nine of the ten 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.
- h Mr. HUANG Shumeng was present in person in nine of the ten 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.
- i Mr. SHAO Zheping was present in person in eight of the ten Board meetings, and the remaining two Board meetings were attended and voted on his behalf by other authorized Directors during his business trip away from Xiamen.

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, 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. They also provided a record of training that they have received during the Reporting Period to the Company Secretary. Any newly-appointed Directors will also receive external induction training on relevant compliance, regulatory and legal matters for directors of companies listed in Hong Kong before their respective appointment became effective.

COMMITTEES ESTABLISHED UNDER THE BOARD

Three committees were set up under the Board by the Company in April 2005 to assist with the performance of its duties and to facilitate effective management, namely the Audit Committee, the Remuneration Committee and the Business Strategy Committee. In addition, the Nomination Committee was established by the Board on 28 February 2011 and the Corporate Governance Committee was established by the Board on 28 February 2014. The Board delegated certain of its functions to the committees, which are required to review their specific scope of functions and report to the Board with recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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

NOMINATION COMMITTEE

The first session of the Nomination Committee of the Company comprised Mr. LIN Kaibiao, the Chairman and an Executive Director, and two Independent Non-executive Directors, Mr. LIU Feng and Mr. HUI Wang Chuen, of which, the Nomination Committee was chaired by Mr. LIN Kaibiao. On 28 February 2014, upon the formation of the fourth session of the Board of the Company through re-election and appointment, Mr. LIN Kaibiao, the Chairman and an Executive Director, and two Independent Non-executive Directors, Mr. LIN Pengjiu and Mr. HUANG Shumeng, were appointed as members of the second session of the Nomination Committee, of which, Mr. LIN Kaibiao was appointed as the Chairman of the second session of the Nomination Committee, following the approval of resolution at the first meeting of the fourth session of the Board on the same date.

The Board has adopted terms of reference of Nomination Committee which conform to the relevant 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.

Corporate Governance Report

In accordance with code provision A.5.6 of the Corporate Governance Code, the Company has prepared the policy on Board diversity of the Company, which is effective after considered and approved at the meeting of the Board. To achieve Board diversity, when formulating the composition of the Board, the Company will consider the diversity of the members of the Board in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional competence, industry experience, skills, knowledge and term of service. The Company will seek to appoint all members of the Board on the basis of “intellectual ability”, fully taking into account the benefits of the diversity of the members of the Board based on the objective conditions when considering candidates and eventually determine the appointment based on the relevant expertise, contributions that he/she can bring to the Board and the Company and the balance of the composition of the Board. Such policy has been published on the Company’s website at <http://www.xipc.com.cn>.

The Nomination Committee of the Company has evaluated the structure of the Board of the Company during the year and considers that its structure, quorum and composition are well balanced and appropriate. For details, please see the section titled “Directors” under “The Board” above.

During the Reporting Period, the Nomination Committee of the Company held a total of four meetings, mainly for conducting the following businesses: making recommendations to the Board in respect of the nomination of the Directors (including Independent Non-executive Directors), the Chairman, the Vice Chairman of the fourth session of the Board of the Company and the General Manager of the Company; and reviewing the structure of the Board and assessing the independence of the Independent Non-executive Directors.

In 2014, the first session of the Nomination Committee held two meetings, and the members’ attendance records of the meetings 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%

Corporate Governance Report

In 2014, the second session of the Nomination Committee held two meetings, and the members' attendance records of the meetings are as follows:

Members of the Nomination Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Kaibiao	2/0	100%
LIN Pengjiu	2/0	100%
HUANG Shumeng	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 to the general meetings for consideration and approval. While considering candidates for directorship proposed for new appointment or nominated for re-election, the Nomination Committee will perform an assessment 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.



Corporate Governance Report

AUDIT COMMITTEE

The third session of the Audit Committee of the Company comprised two Independent Non-executive Directors, Mr. LIU Feng and Mr. ZHEN Hong, and one Non-executive Director, Mr. FU Chengjing, of which, the Audit Committee was chaired by Mr. LIU Feng. On 28 February 2014, upon the formation of the fourth session of the Board of the Company through re-election and appointment, Mr. LIU Feng and Mr. HUANG Shumeng, the Independent Non-executive Directors, and Mr. FU Chengjing, a Non-executive Director, were appointed as members of the fourth session of the Audit Committee, of which, Mr. LIU Feng was appointed as the Chairman of the fourth session of the Audit Committee, following the approval of resolution at the first meeting of the fourth session of the Board of the Company on the same date. All members of the Committee possess relevant professional skills and experiences and two of them are Independent Non-executive Directors with professional qualifications and financial management expertise. Accordingly, the Company has been in compliance with the requirements in respect of audit committee as set out under Rule 3.21 of the Listing Rules during the Reporting Period.

The Board has adopted the terms of reference of the Audit Committee which comply with the relevant 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 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 2013 and the interim report on interim results for the six months ended 30 June 2014; 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 2014.

Corporate Governance Report

During the Reporting Period, the members' attendance records of the meetings of the fourth 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%
FU Chengjing	1/1 ^a	100%
HUANG Shumeng	2/0	100%

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

REMUNERATION COMMITTEE

The third session of the Remuneration Committee of the Company comprised two Independent Non-executive Directors, Mr. HUI Wang Chuen and Mr. LIU Feng, and one Non-executive Director, Mr. CHEN Dingyu, of which, the Remuneration Committee was chaired by Mr. HUI Wang Chuen. On 28 February 2014, upon the formation of the fourth session of the Board of the Company through re-election and appointment, Mr. HUI Wang Chuen and Mr. LIU Feng, the Independent Non-executive Directors, and Mr. CHEN Dingyu, a Non-executive Director, were appointed as members of the fourth session of the Remuneration Committee, of which, Mr. HUI Wang Chuen continued to be appointed as the Chairman of the Remuneration Committee, following the approval of resolution at the first meeting of the fourth session of the Board of the Company on the same date.

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' fees and directors' annual remuneration. The Remuneration Committee will engage professional consultants for provision of assistance and/or professional advice on related matters when needed.

Corporate Governance Report

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

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

Members of the Remuneration Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
HUI Wang Chuen	1/0	100%
CHEN Dingyu	1/0	100%
LIU Feng	1/0	100%

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 of the Company 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 linked with the Group's operating results.



Corporate Governance Report

As our customary practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. Subsequent to the approval at the general meeting, the plan will be implemented. The emoluments paid to each Director by the Company for the year ended 31 December 2014 are set out in Note 35 to the financial statements.

BUSINESS STRATEGY COMMITTEE

In 2014, the third session of the Business Strategy Committee of the Company comprised one Independent Non-executive Director, Mr. ZHEN Hong, three Executive Directors, Mr. LIN Kaibiao, Mr. FANG Yao and Ms. MIAO Luping, and two Non-executive Directors, Mr. CHEN Dingyu and Mr. FU Chengjing, of which, Mr. ZHEN Hong is the Chairman of the Business Strategy Committee. On 28 February 2014, upon the formation of the fourth session of the Board of the Company through re-election and appointment, Mr. SHAO Zheping, an Independent Non-executive Director, Mr. LIN Kaibiao and Mr. HUANG Zirong, the Executive Directors, and Mr. CHEN Dingyu and Ms. MIAO Luping, the Non-executive Directors, were appointed as members of the fourth session of the Business Strategy Committee, of which, Mr. SHAO Zheping was appointed as the Chairman of the Business Strategy Committee, following the approval of resolution at the first meeting of the fourth session of the Board on the same date.

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 2014, the Business Strategy Committee of the Company held one meeting to discuss and review such matters related to the business operation schedule for 2014 of the Company. During the Reporting Period, most 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.

Corporate Governance Report

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
SHAO Zheping	1/0	100%
LIN Kaibiao	1/0	100%
HUANG Zirong	1/0	100%
CHEN Dingyu	1/0	100%
MIAO Luping	1/0	100%

CORPORATE GOVERNANCE COMMITTEE

On 28 February 2014, the Corporate Governance Committee was established under the Board following the approval of the resolution at the first meeting of the fourth session of the Board of the Company so as to improve the corporate governance of the Company. Mr. LIN Pengjiu, Mr. SHAO Zheping, the Independent Non-executive Directors, and Mr. FANG Yao, an Executive Director were also appointed as members of the first session of the Corporate Governance Committee at the same meeting, of which, Mr. LIN Pengjiu was appointed as the Chairman of the Corporate Governance Committee.

The Board has adopted the terms of reference of the Corporate Governance Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Corporate Governance Committee are: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and relevant disclosure requirements.

In 2014, the Corporate Governance Committee of the Company held one meeting in respect of discussing and reviewing the corporate governance report for the year ended 31 December 2013 of the Company, which set out the Company's policies and practices on corporate governance and included mandatory disclosure requirements and most information to be disclosed under the Appendix 14 of the Listing Rules.

Corporate Governance Report

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

Members of the Corporate Governance Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Pengjiu	1/0	100%
SHAO Zheping	1/0	100%
FANG Yao	1/0	100%

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2013 annual general meeting held on 11 June 2014, for a term until the expiration of the forthcoming annual general meeting.

For the year ended 31 December 2014, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,550,000 (of which, the remuneration payable by the Company was RMB2,400,000), exclusively for audit services. Except for the above mentioned, the Company did not pay any other fees for non-audit services to the external auditors.

INTERNAL CONTROL

The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk control system. During the year of 2014, 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 monitoring and risk management functions etc. The Audit Committee will examine the relevant review report and discuss with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. 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



Corporate Governance Report

control deficiency and major concerns which may affect the interest of the shareholders has been found during the Reporting Period, and the Board will continue to improve the internal control system to facilitate our corporate governance.

The management of the Company highly values internal control and principally takes charge of formulating, implementing and maintaining the internal control system of the Group, in order to ensure a good and effective monitoring, which in turn effectively safeguards the shareholders' investment and the assets of the Company. The specific measures are as follows:

(1) Financial control

During the Reporting Period, the Group strictly complied with the relevant laws and regulations and implemented various financial systems established by the Company such as the "Interim Provisions of Asset Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis", the "Trial Methods for Tax Planning Management", and the "Basic Methods for Financial Management", so as to continuously regulate the financial management system of the Company. The Group also continues to improve its management accounting system, in order to provide its management with an objective indicator to measure the financial and operational performance and provide relevant financial information for reporting and disclosure purpose. Variances against actual performances and targets are prepared, analyzed and explained and appropriate actions are also taken to rectify the identified deficiencies, if necessary. This enables the management of the Group to monitor business operations closely and also enables the Board to formulate and, if necessary, revise strategic plan timely and prudently. The Group highly 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 improve the internal governance, the Audit Committee has authorized one member to be responsible for the daily management of the Audit Committee and monitor the Company's financial and internal control on behalf of the Audit Committee under the requirements of "Regulations for Audit Committee's Works". In 2014, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group's audited accounts for the year ended 31 December 2013, internal and external audit findings, accounting principles



Corporate Governance Report

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 2014.

The Company attaches great importance on the internal audit functions. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective internal control system within the Group. In addition, the Group also focuses on monitoring the activities with higher risks, including trading business, accounts receivables and other aspects which the management specially concerns. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its authorized representatives shall examine and audit the relevant documents before they are issued in accordance with certain prescribed procedures. The head of the audit department can contact the Audit Committee without any restrictions, attend the 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. The relevant audit works of the 2014 Internal Audit Plan considered and agreed by the Audit Committee had been all completed on schedule. The Company conducted a special audit and internal control inspection on the operation and management as well as the investment project management of the relevant entities under the Company and 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 the meetings periodically (once a month) to keep well knowledge of 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. The major issues of the Company shall be submitted by the management to the Board or at general meetings for consideration and voting in accordance with procedures stipulated in the Articles.



Corporate Governance Report

The Group continues to promote computerized management of its business process, and certain major business operations are controlled and monitored by computer systems, such as the operations of its container loading and unloading business and shipping agent business. The Group's 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 attaches great importance on the safety production in the ports and allocates adequate resources in terms of allocation of safety equipment and facilities, safety promotion, safety drilling and staff training. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that the manager and staff at all levels put safety as the top priority, and make effort to promote the safety standard to all sites.

(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. The Company's proprietary trademark has also been registered with the Trademark Office of the State Administration for Industry & Commerce. The Company's legal professionals and the Company Secretary will 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.



Corporate Governance Report

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 inside information should be announced immediately upon decision. The Company also understands that it shall comply with the “Guide on Disclosure of Inside Information” issued by the Securities and Futures Commission of Hong Kong 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 of the Company.

The Group emphasizes the internal control of certain major issues, such as connected transactions and also has established improved its control system and procedures for connected transactions in accordance with the requirements under the Listing Rules. The enterprises under the Group will designate the dedicated personnel to calculate and aggregate the information regarding the connected transactions on a regular basis, and timely update the name list of connected parties (not a complete list). The negotiation and execution of contracts relating to connected transactions shall be reviewed carefully by the appropriate management to ensure that the transactions comply with the pricing policies of the Group. The contracts shall be submitted to the Board or the general meeting pursuant to procedures for review and approval and then 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 comply with the relevant rules and regulations.

In addition, pursuant to the Rule 3.10A of the Listing Rules and relevant provisions of the Articles, the Company has appointed five Independent Non-executive Directors, accounting for at least one-third of the quorum of the members of the Board. Also, the Company has published the relevant information about the Articles, 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.



Corporate Governance Report

(4) Risk Management

Since its establishment, the Group has formulated various risk control regulations, including the “Measures for Asset Tenancy and Administration”, 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”, and “Administration Measures Governing Subscription Money for New Shares”, the purpose of which 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 mitigate the risks. During the Reporting Period, in accordance with the requirements of the construction of internal control system and comprehensive risk management system, the Group has further adjusted and improved various business processes and managed the corresponding management documents, and has additionally developed and implemented systems such as the “Provisions on Management of Internal Audit”, the “Measures for Internal Control”, the “Implementation and Rules on Internal Control Assessment” in 2014, and established the legal affairs reporting system and strengthened the monitoring of major contracts, connected transactions and other legal issues, so as to enhance the risk prevention capability of the Group.

The management of the Company has conducted frequent discussions regarding the effectiveness of the risk management and internal control system with relevant Directors. The Company believes that the continuous improvement and effective operation of its internal control system will be helpful for the Company to timely deal with and mitigate the potential risks and better safeguard the interests of customers and shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has already 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 become effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company. The Company has made specific enquiry of, and has received specific confirmations from, all Directors, Supervisors and senior management that they have at all times complied with the standards required in the Model Code and the Code during the Reporting Period, and the Company has not been aware of any violations during the Reporting Period.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2014, 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 prepare the financial statements on a going concern basis.

The Directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position and results of the Group and enable them to ensure that the financial statements comply with Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

In addition, the Directors are obliged 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 94 of this annual report.



Corporate Governance 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 regular and timely communication with shareholders will help our shareholders to better understand our business.

The Company considers that the annual general meeting is a forum at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting at least 45 days before the meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes 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 at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. The Board is committed to maintaining communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2014, the Company convened two general meetings, namely the first extraordinary general meeting in 2014 and the 2013 annual general meeting.

Corporate Governance Report

The attendance record of each Director of the third session of the Board of the Company at the first extraordinary general meeting in 2014 is set out below:

Members of the Board	Number of the general meeting attended	Attendance Rate
<i>Executive Directors</i>		
LIN Kaibiao (<i>Chairman of the Nomination Committee</i>)	1	100%
FANG Yao	1	100%
MIAO Luping	1	100%
HUANG Zirong	1	100%
HONG Lijuan	1	100%
<i>Non-executive Directors</i>		
ZHENG Yongen	1	100%
CHEN Dingyu	1	100%
FU Chengjing	1	100%
KE Dong	1	100%
<i>Independent Non-executive Directors</i>		
LIU Feng (<i>Chairman of the Audit Committee</i>)	1	100%
ZHEN Hong (<i>Chairman of the Business Strategy Committee</i>)	0 ^a	0%
HUI Wang Chuen (<i>Chairman of the Remuneration Committee</i>)	1	100%
LIN Pengjiu	1	100%
HUANG Shumeng	1	100%

a Mr. ZHEN Hong was not present at the first extraordinary general meeting in 2014 during his business trip.

Corporate Governance Report

The attendance record of each Director of the fourth session of the Board of the Company at the 2013 annual general meeting is set out below:

Members of the Board	Number of the general meetings attended	Attendance Rate
<i>Executive Directors^a</i>		
LIN Kaibiao (<i>Chairman of the Nomination Committee</i>)	1	100%
FANG Yao	1	100%
HUANG Zirong	1	100%
KE Dong	1	100%
<i>Non-executive Directors</i>		
ZHENG Yongen	1	100%
CHEN Dingyu	1	100%
MIAO Luping	1	100%
FU Chengjing	0 ^b	0%
<i>Independent Non-executive Directors</i>		
LIU Feng (<i>Chairman of the Audit Committee</i>)	1	100%
HUI Wang Chuen (<i>Chairman of the Remuneration Committee</i>)	1	100%
LIN Pengjiu (<i>Chairman of the Corporate Governance Committee</i>)	1	100%
HUANG Shumeng	1	100%
SHAO Zheping (<i>Chairman of the Business Strategy Committee</i>)	1	100%

a Ms. HONG Lijuan, formerly an Executive Director of the fourth session of the Board, passed away following an illness on 27 May 2014, and ceased to be a Director of the Company.

b Mr. FU Chengjing was not present at the 2013 annual general meeting during his business trip out of Xiamen.

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 to convene an extraordinary general meeting or a class general meeting in written form, elaborate the resolutions to be proposed at the meeting and explain the reasons for requesting and submit the relevant request(s) to the principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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 notify 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.



Corporate Governance Report

The Company has been actively establishing various communication channels. The shareholders can keep abreast of the Company's operating conditions, announcements and relevant news and information through the webpage of the Company, and also can make enquiries to the Board through the Company Secretary in Xiamen, the PRC or the alternate authorized representatives at the Company's principal place of business in Hong Kong.

INVESTOR RELATIONSHIP

The Company continues to promote and strengthen investor relationship and communication with investors. The Company Secretary is responsible for the investor relationship of the Company as well as external information disclosure and communication. During the Reporting Period, through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, the Company is able to maintain close communication with the investors, media, analysts and fund managers, keep them informed of the latest developments of the Company through answering questions regarding the operating and financial performance of the Group by our executive Directors and senior management and make timely responses to any inquiries.

The Company has adopted and implemented a fair, transparent and timely disclosure policies and practices. Prior to the convening of individual meetings with investors or analysts, all price sensitive information or data should have been announced to the public in accordance with the disclosure policies and practices of the Company. For promoting effective communication, the Company provides comprehensive information about 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 <http://www.xipc.com.cn> as required by the Hong Kong Stock Exchange. The Company welcomes shareholders and investors to make enquiries through its webpage on Investor Relationship (the contact details are set out on the Company's website).

While upholding the principles of transparency, honesty, fairness and openness, the Company will continue to maintain smooth communication channels with investors or all circles related to it, and improve and continue to enhance the level of its corporate governance and strive to achieve the best practice standard based on its accumulated experiences, regulatory changes and shareholders' feedback, so as to promote the sustained and healthy development of the Company.

By Order of the Board

LIN Kaibiao

Chairman

Xiamen, the PRC

27 March 2015



Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. LIN Kaibiao, aged 49, 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 Co., Ltd. ("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 Group Co., Ltd. ("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 was also the chairman and legal representative of Xiamen Haitian Company from 12 March 2012 to December 2013 and the chairman of Xiamen Songyu Container Terminal Co., Ltd. from 2012 to 2013. He was also a director of Xiamen Haixia Investment Co., Ltd. since August 2013 and the chairman and legal representative of Xiamen Container Terminal Group Co., Ltd since December 2013.



Biographies of Directors, Supervisors and Senior Management

Mr. FANG Yao, aged 55, is an Executive Director and Vice Chairman 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 was also a director of Xiamen Haitian Company from March 2002 to December 2013. 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. He has also been the Vice Chairman of the Company since August 2013.

Mr. HUANG Zirong, aged 52, is an Executive Director and the 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, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. 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. 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 an Executive Director of the Company since 27 March 2012. He has also been a director of Xiamen Container Terminal Group Co., Ltd since December 2013.



Biographies of Directors, Supervisors and Senior Management

Mr. KE Dong, aged 55, is an Executive Director and the deputy general manager of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute). In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist and a Political Instructor. 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 was a director of Xiamen Haitian Company from March 2002 to December 2013. 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 was a Non-executive Director of the Company from March 2005 to 28 February 2014. He has also been the deputy general manager of the Company since August 2013. He has been re-designated from a Non-executive Director to an Executive Director of the Company since 28 February 2014.

Ms. HONG Lijuan, was a former Executive Director, a deputy general manager and the Company Secretary of the Company and passed away on 27 May 2014. 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 was 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 was the Secretary to the Board from March 2005 to 27 May 2014 and also acted as deputy general manager of the Company from November 2006 to 27 May 2014; and she was an Executive Director of the Company from 8 June 2007 to 27 May 2014. She was also a director of Xiamen Haitian Company from 10 May 2007 to December 2013.



Biographies of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. ZHENG Yongen, aged 57, 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 58, 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 a Senior Economist and an Engineer. From 1980 to January 1998, he worked as the chief engineer of the Tugboat Company of Xiamen Harbour Bureau 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.



Biographies of Directors, Supervisors and Senior Management

Ms. MIAO Luping, aged 51, is a Non-executive Director of the Company. She graduated from Xiamen University with a master's degree in 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, 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 to December 2012. She acted as a Non-executive Director of the Company from March 2005 to 28 February 2011 and was an Executive Director of the Company from 28 February 2011 to 28 February 2014. She has also been an executive director and the chairman of Xiamen Haixia Venture Investment Co., Ltd (later renamed as Xiamen Haixia Investment Co., Ltd) since June 2009. She has also been the chairman of Xiamen International Cruise Home Port Group Co., Ltd. since October 2013. She has been re-designated from an Executive Director to a Non-executive Director of the Company since 28 February 2014.

Mr. FU Chengjing, aged 53, is a Non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a staff and section member of the office of the Xiamen Finance Bureau, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a Non-executive Director of the Company since March 2005. He has been deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007.



Biographies of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. LIU Feng, aged 49, 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 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. He also acts an independent director in three listed companies, namely Qingdao Haier Co., Ltd, Cosco Shipping Co., Ltd. and Xiamen C&D Inc. (all listed on the Shanghai Stock Exchange in the PRC). He is also 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. HUI Wang Chuen, aged 71, 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 also been appointed as an Independent Non-executive Director of the Company since March 2005.



Biographies of Directors, Supervisors and Senior Management

Mr. LIN Pengjiu, aged 49, is an Independent Non-executive Director of the Company. 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 and an arbitrator of Dalian Arbitration Commission, Wuhan Arbitration Commission and Nantong Arbitration Commission. He also acts as an Independent Non-executive Director of the Company since 28 December 2012.

Mr. HUANG Shumeng, aged 53, is an Independent Non-executive Director of the Company. 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. He has also been a director of Xiamen Tax Institute since March 2014. He also acts as an Independent Non-executive Director of the Company since 28 December 2012.



Biographies of Directors, Supervisors and Senior Management

Mr. SHAO Zheping, aged 51, is an Independent Non-executive Director of the Company since 28 February 2014. He graduated from Jimei Navigation College in July 1982, majoring in navigation technology and obtained a master's degree in navigation technology from Shanghai Shipping Institute (currently known as Shanghai Maritime University) in July 1990, and then obtained a doctoral degree in transportation information engineering and control from Dalian Maritime University in January 2001. He is the Dean of the Maritime College of Jimei University and is also a standing member of Maritime Experts Committee under the Ministry of Transport and a member of the Navigation Technology Professional Teaching Steering Committee under the Ministry of Education, a member of the Xiamen Work Safety Experts Group, a standing director of China Institute of Navigation and a standing director of Xiamen Institute of Navigation. He was also an independent director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2006 to January 2014.

Mr. ZHEN Hong, aged 57, retired from the position of Independent Non-executive Director of the Company with effect from 28 February 2014. 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 was also an Independent Non-executive Director of the Company from March 2005 to 28 February 2014.



Biographies of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. YU Mingfeng, aged 52, is the Chairman of the Supervisory Committee of the Company since 28 February 2014. He graduated from Guangzhou Jinan University with a bachelor's degree in economics in July 1985, and is now a senior accountant. Mr. Yu joined Xiamen Automobile Transport Company (now known as Xiamen Teyun Group Co., Ltd ("Xiamen Teyun Group")) in 1985. He had been an accountant of the passenger transportation division and also the financial controller of the tourists' transportation division, of Xiamen Automobile Transport Company from July 1985 to April 1989; the deputy manager of finance department of Xiamen Teyun Group from April 1989 to November 1997; the manager of finance department of Xiamen City Traffic State-owned Assets Investment Co., Ltd from November 1997 to March 2005; the deputy manager of finance department of Xiamen Port Holding Group Co., Ltd from March 2005 to August 2005; the deputy manager of audit department of Xiamen Port Holding Group Co., Ltd from August 2005 to January 2007; and the manager of audit department of Xiamen Port Holding Group Co., Ltd from January 2007 to December 2011, during which period he was also the manager of the audit center of financial budgets and final accounts, and the director of the disciplinary inspection office, of Xiamen Port Holding Group Co., Ltd, and the legal representative of Shuichan Group. He has also been a staff supervisor of Xiamen Port Holding from April 2008 to April 2014. He also acts as the deputy secretary of the Disciplinary Inspection Committee of Xiamen Port Holding from November 2011 to April 2014. He has been the manager of finance department of Xiamen Port Holding since January 2012. He has been a financial controller of Xiamen Port Holding since April 2014, and also been the chairman of Xiamen Hairuntong Asset Management Company Limited since November 2014.

Mr. ZHANG Guixian, aged 48, is a Supervisor of the Company since 28 February 2014. He graduated from Hohai University with a bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit department of Xiamen Port Holding since August 2009, currently being the deputy manager of the audit department.



Biographies of Directors, Supervisors and Senior Management

Mr. LIAO Guosheng, aged 52, is the Staff Representative Supervisor of the Company since 28 February 2014. He graduated from Central Party School in 2002 and received the on-job bachelor degree in economy management. Currently, he is a Senior Economist. He had served as tallying officer, business representative, deputy office director, head of business division, deputy general manager and party secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He had been the general manager and party secretary of Xiamen Haicang Port Co., Ltd, and the deputy general manager and Chinese representative of Xiamen International Container Terminals Limited from May 2001 to March 2006. During the period from April 2006 to April 2009, he had been the director and general manager of Xiamen Port Development, concurrently served as the chairman of Xiamen Port Logistics Co., Ltd, Xiamen Port Shipping Co., Ltd and Xiamen Port Transportation Co., Ltd. From May 2009 to December 2013, he had been the party secretary of Xiamen Haitian Container Terminals Co., Ltd. He has been the deputy general manager of Xiamen Container Terminal Group Co., Ltd since December 2013.

Mr. WU Weijian, aged 56, 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 Co., Ltd., 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. He also acted



Biographies of Directors, Supervisors and Senior Management

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 from 2 July 2010 to September 2013. He has also been a director 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. He has also been the general manager of bulk/general cargo business department of Xiamen Port Development since October 2013.

Mr. TANG Jinmu, aged 49, is an independent Supervisor of the Company and a senior accountant and a member of the twelve 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 in July 2011. 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 has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He has also been acting as an independent director of Tsann Kuen (China) Enterprise Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since June 2014 and an independent director of Tai Ya Shoes Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since December 2014. He has also been a Supervisor of the Company since March 2005.



Biographies of Directors, Supervisors and Senior Management

Mr. XIAO Zuoping, aged 40, 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 national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants (“CPA”), a standing director of the Financial Cost Branch of China Accounting Society, a standing director of the Accounting Society of Sichuan Province, a member of the Accounting Society of America, a senior member of the Accounting Society of the PRC, a director of the Council of “China Accounting Review”. He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the 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 the “Securities Market Herald”, a journal published by the Shenzhen Stock Exchange. He also acts as independent Supervisor of the Company since 28 February 2011.

Mr. YAN Tengyun, aged 61, retired from the position of a Supervisor and the Chairman of the Supervisory Committee of the Company since 28 February 2014. He was a soldier and then a squad leader of the Forth Company, the Fifty-First Regiment, 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 from 2007 to January 2015. Currently he is a Senior Political Instructor. He also acted as the Chairman of the Supervisory Committee of the Company from 28 February 2011 to 28 February 2014.



Biographies of Directors, Supervisors and Senior Management

Mr. LUO Jianzhong, aged 60, retired from the position of a Supervisor of the Company since 28 February 2014. 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) from July 2004 to January 2014. Mr. Luo also acted as a Supervisor of the Company from March 2005 to 28 February 2014. 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 52, retired from the position of a Staff Representative Supervisor of the Company since 28 February 2014. 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 was a supervisor of Xiamen Haitian Company from March 2002 to November 2013. He was the deputy party secretary of Xiamen Haitian Company and also the secretary of the disciplinary committee of C.P.C. of Xiamen Haitian Company from April 2005 to November 2013. He was the chairman of the trade union of Xiamen Haitian Company from February 2006 to November 2013. He was also a Supervisor of the Company from March 2005 to 28 February 2014. He has been an executive director and the general manager of Xiamen Port Group Labor Services Co., Ltd since November 2013.



Biographies of Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Mr. YANG Hongtu, aged 40, is one of the joint Company Secretaries of the Company and a deputy general manager of the Company. He is 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 24 August 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 was also a director of Xiamen Haitian Company from 12 March 2012 to December 2013. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd since 13 December 2013. 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.

Ms. MOK Ming Wai, was appointed as a joint Company Secretary of the Company on 8 July 2014. She is a director of KCS Hong Kong Limited. She has over 20 years of professional and in-house experience in company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.



Biographies of Directors, Supervisors and Senior Management

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.

KE Dong, Deputy General Manager

Mr. KE Dong is one of the Executive Directors of the Company. For further details regarding Mr. KE Dong, please refer to the section headed “Executive Directors” above.

YANG Hongtu, Deputy General Manager

Mr. YANG Hongtu, aged 40, is one of the joint Company Secretaries of the Company and a deputy general manager of the Company. For further details regarding Mr. YANG Hongtu, please refer to the section headed “Joint Company Secretaries” above.

CHEN Zhaohui, Deputy General Manager

Mr. CHEN Zhaohui, aged 46, 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 was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He has been a deputy general manager of the Company since 27 March 2012. He has also been a director of Xiamen Container Terminal Group Co., Ltd since December 2013 and the chairman of the supervisory committee of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since January 2014.



Report of the Directors

The Board is pleased to present the report of the Directors and the audited financial statements of the Group for the year ended 31 December 2014 (the “Year”).

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading 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 40(a) to the financial statements.

Details of the Group’s operating results for the Year by business segments are set out in Note 26 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 2014.

RESULTS

The Group’s results for the Year are set out in the consolidated income statement on page 100.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB6.0 cents per share (tax inclusive), aggregating RMB163,572,000 (tax inclusive) to all shareholders whose names appeared on the Register of Members on 24 June 2015, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 12 June 2015.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in Note 25 to the financial statements.

Report of the Directors

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 RMB46,800 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2014:

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, for the purpose of 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 Rules and (ii) the generally accepted accounting principles in Hong Kong.

As at 31 December 2014, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB44,746,000. Such amount was prepared under the generally accepted accounting principles in Hong Kong.

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 of the Company (as defined in the Listing Rules).

ACQUISITIONS AND DISPOSALS

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

The third session of the Board of the Company comprised fourteen Directors, including five Executive Directors, namely Mr. LIN Kaibiao, Mr. FANG Yao, Ms. MIAO Luping, Mr. HUANG Zirong and Ms. HONG Lijuan, four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong, and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. ZHEN Hong, Mr. HUI Wang Chuen, Mr. LIN Pengjiu and Mr. HUANG Shumeng. The third session of the Supervisory Committee of the Company comprised six Supervisors, including two Shareholders representative Supervisors, namely Mr. YAN Tengyun 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.



Report of the Directors

In accordance with the Articles, the term of office of each of the Directors and Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. At the Company's first extraordinary general meeting in 2014 held on 28 February 2014, the thirteen Directors in office of the Company, namely Mr. LIN Kaibiao, Mr. FANG Yao, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong, Mr. KE Dong, Ms. HONG Lijuan, Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu and Mr. HUANG Shumeng, were re-elected and Mr. SHAO Zheping was newly appointed as a Director of the fourth session of the Board of the Company, of which, Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping were appointed as Independent Non-executive Directors. At the same extraordinary general meeting, two Supervisors in office, namely Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected, Mr. YU Mingfeng and Mr. ZHANG Guixian were newly appointed as the Supervisors of the fourth session of the Supervisory Committee of the Company (Mr. WU Weijian was a staff representative Supervisor who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 27 February 2014, at the same time, Mr. LIAO Guosheng was newly appointed as a staff representative Supervisor of the fourth session of the Supervisory Committee at the same general meeting), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors.

On 28 February 2014, the Company convened the first meeting of the fourth session of the Board to elect Mr. LIN Kaibiao as the Chairman and Mr. FANG Yao as the Vice Chairman, appointed Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong, Mr. KE Dong and Ms. HONG Lijuan as Executive Directors, and appointed Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping and Mr. FU Chengjing as Non-executive Directors and continued to appoint Ms. HONG Lijuan as the secretary to the Board/Company Secretary. On the same date, the Company convened the first meeting of the fourth session of the Supervisory Committee to elect Mr. YU Mingfeng as the Chairman of the Supervisory Committee.

On 27 May 2014, Ms. HONG Lijuan passed away following an illness and ceased to be an Executive Director and the Company Secretary of the Company. On 8 July 2014, the Company convened the sixth meeting of the fourth session of the Board to appoint Mr. YANG Hongtu, a deputy general manager of the Company, and Ms. MOK Ming Wai, a director of KCS Hong Kong Limited, as the joint Company Secretaries of the Company.



Report of the Directors

Accordingly, as of 31 December 2014, the members of the fourth session of the Board of the Company comprised four Executive Directors, namely Mr. LIN Kaibiao (Chairman), Mr. FANG Yao (Vice Chairman), Mr. HUANG Zirong and Mr. KE Dong, four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping and Mr. FU Chengjing, and five Independent Non-executive Directors, namely Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping. The members of the fourth session of the Supervisory Committee of the Company included two Shareholders representative Supervisors, namely Mr. YU Mingfeng (being the Chairman of Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the Company had already entered into a service contract with the Company respectively for a term of not more than three years effected from 28 February 2014 until the expiry of the term of the fourth 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, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and Supervisors are set out in Note 35 to the financial statements.

Remuneration paid by the Company to the senior management (excluding the Directors) for the year ended 31 December 2014 with the range of approximately RMB680,000 and RMB700,000 each.

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.



Report of the Directors

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the existing, retired and deceased Directors, Supervisors and senior management of the Company as at the date of this report are set out on pages 62 to 76.

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 any Directors and 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', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2014, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 or 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 2014, to the best of the knowledge of the Directors of the Company, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which 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 (Long position)	1,702,900,000	Beneficial owner	97.90%	62.46%

Save as disclosed above, as at 31 December 2014, to the best of the knowledge of the Directors of the Company, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which 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. In addition, no short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2014.

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 or maintained by the Company.

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.



Report of the Directors

CONNECTED TRANSACTIONS

In 2014, the Company and/or its related subsidiaries has entered into and completed the following one-off connected transactions with related parties:

On 10 September 2014, Xiamen Port Development has entered into an agreement with Xiamen Land Development Centre (廈門市土地發展中心), Xiamen Port Holding and Xiamen Port Dredging Engineering Co., Ltd. (廈門港務疏浚工程有限公司) (“Xiamen Port Dredging”, a wholly-owned subsidiary of Xiamen Port Holding) in connection with the early business relocation of Dongdu Terminal and the consequential temporary settlement at Xiamen ITG Terminal (Berths no. 20 and no. 21 of Dongdu port area in Xiamen) and constructing warehouses and other terminal facilities thereat (the “Construction Works”) and other relevant matters, pursuant to which Xiamen Land Development Centre agreed (i) that Xiamen Port Holding to become the owner of the Construction Works; (ii) to instruct Xiamen Port Dredging to carry out the Construction Works for Xiamen Port Development as a compensation for the early business relocation; (iii) to advance the total consideration of the Construction Works (which amounted to up to RMB100,000,000) to Xiamen Port Development, which in turn would pay to Xiamen Port Dredging Engineering in instalments without compensation in accordance with the progress of the Construction Works. In addition, Xiamen Port Holding agreed that Xiamen Port Development is entitled to use the assets formed by the Construction Works for free until the end of the month in which the Berths no. 20 and no. 21 of Haicang port area are constructed and put into operation. For more details of such transaction, please refer to the announcement of the Company dated 10 September 2014.

Report of the Directors

The table set out below is a summary of the above mentioned one-off connected transaction:

Transaction particulars	Connected persons	Date of signing the Agreement	Transaction amount (RMB)
A. Xiamen Port Development transferred the construction fees in installments to Xiamen Port Dredging without compensation in accordance with the progress of the Construction Works from the total consideration of the Construction Works received in advance from Xiamen Land Development Centre	Xiamen Port Dredging	10 September 2014	100,000,000
Xiamen Port Holding agreed that Xiamen Port Development was entitled to use the assets formed by the Construction Works for free	Xiamen Port Holding		0

On 13 October 2014, the Company and XSP, an associate of Xiamen Port Holding, have entered into the Master Oil Products Agreement, pursuant to which the Group agrees to purchase the Oil Products from XSP for the Group's ordinary and usual operational usage at its container port business, bulk/general cargo loading and unloading business and other port-related businesses in Xiamen. The Company (including its relevant subsidiaries) and XSP may from time to time enter into implementation agreements for each specific transaction contemplated under the Master Oil Products Agreement to reflect the detailed requirements of the relevant purchase. The Master Oil Products Agreement is effective from 1 September 2014 to 31 December 2015. The Master Oil Products Agreement may be extended for a further term of not more than three years from the expiry of the initial term, subject to confirmation by the two parties of the agreement six months prior to the expiry of the initial term of Master Oil Products Agreement. The corresponding annual caps from 1 September 2014 to 31 December 2014 and for the year of 2015 have been estimated respectively at the ninth meeting of the fourth session of the Board on 13 October 2014 while approving the above-mentioned transactions. For more details of the above-mentioned transactions, please refer to the announcement of the Company dated 13 October 2014.

Report of the Directors

In addition, in 2014, 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 non-exempt continuing connected transactions:

Services	Connected Persons	2014	
		Proposed annual cap (RMB)	Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group	90,000,000	35,684,000
B. Logistics property services	Xiamen Port Holding Group	36,000,000	10,602,000
C. Comprehensive services	Xiamen Port Holding Group	33,000,000	25,716,000
D. Construction project management	Xiamen Port Holding Group	35,000,000	18,388,000
E. Port facilities engineering and construction	Xiamen Port Holding Group	65,000,000	12,415,000
F. Port-related labour services	Xiamen Port Holding Group	95,000,000	32,850,000
G. Electrical equipment maintenance	Xiamen Port Holding Group	23,000,000	3,095,000
H. Port services	COSCO Container Lines Co., Ltd	127,100,000	38,990,000
I. Power supply and maintenance	Xiamen Port Holding Group	47,000,000	17,043,000
J. Port services	Xiamen Gangwu Haiyun Co., Ltd.	48,000,000	18,777,000
K. Information services	Xiamen Port Holding Group	15,000,000	5,501,000
L. Port services	Maersk (China) Shipping Co., Ltd.	420,000,000	127,103,000
M. Port services	Xiamen Xiangyu Logistics Group Co., Ltd.	26,000,000	9,140,000
N. Purchase of oil products	Xiamen Port Holding Group	23,500,000*	10,630,000*

* From 1 September 2014 to 31 December 2014 only



Report of the Directors

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 better; and
- (3) according to 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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and reported that:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the auditor's letter has been submitted by the Company to the Hong Kong Stock Exchange.



Report of the Directors

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 RMB12,837,200, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB497,600.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As of 31 December 2014, the forfeited contribution available for the use of the Group amounted to RMB395,782.38. The Group had not used the forfeited contribution during the Year.

The details of the Group's pension scheme are set out to Note 28 to the financial statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2014, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 13 March 2014, the Board approved the entering into of a facility agreement with a bank (as lender) relating to an unsecured 3-year term loan of RMB265,000,000 to be made available to the Company (as borrower).

On 10 July 2014, the Company (as borrower) has entered into a facility agreement with a bank (as lender) involving a revolving credit facility of an actual amount to the extent of HKD70,000,000 to be made available to the Company for a tenor of 1 year.

Pursuant to the facility agreements of the above loan facilities, the Company has undertaken to, inter alia, ensure that the ultimate beneficial shareholding in the Company held by the relevant governmental authorities in Xiamen for the supervision and administration of state-owned assets and its associates (including without limitation, the Xiamen Municipal State-owned Assets Supervision and Administration Commission (廈門市人民政府國有資產監督管理委員會)) will be maintained at not less



Report of the Directors

than 51% during the continuance of the respective facility agreements. Failure to comply with such undertakings may constitute a breach of the Company's contractual obligation under the said facility agreements and upon which damages may be available to the lender as of right.

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. Therefore, the Company was subject to an applicable income tax rate of 12.5% during the year ended 31 December 2014.

The Company acquired one subsidiary, namely Trend Wood, which is incorporated in Hong Kong, in 2013 and Trend Wood is subject to an applicable income tax rate of 16.5%. The Company's subsidiary, Songyu Terminal, obtained the approval (Xiamen Guoshui Zhihan [2008] No.1) from the branch office of the State Tax Administration in Xiamen City, and enjoys 100% reduction in corporate income tax in the first five years since the first taxable profit year and 50% reduction in the sixth to the tenth years. The first profit year for Songyu Terminal is 2008, the applicable income tax rate is 12.5% in 2014. Other than the above mentioned, the applicable corporate income tax rate for the Company's all the other subsidiaries is 25%.

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 some 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 overseas 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 overseas clients was exempted from value-added tax.



Report of the Directors

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 2014, the Company has been in compliance with the code provisions and most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Details of the discussion of such compliance are set out in the "Corporate Governance Report" section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, more than 25% of the shares issued by the Company were held in public float as at the latest practicable date prior to the issue of this annual report, which adequately exceeded the requirements of the Listing Rules.

AUDITORS

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

By Order of the Board

LIN Kaibiao

Chairman

Xiamen, the PRC

27 March 2015



Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd.:

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

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2014

In the year of 2014, all members of the Supervisory Committee of the Company had been discharging their duties conscientiously and performing its work sedulously and initiatively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on the basis of integrity and diligence so as to safeguard the interests of the Company and the shareholders as a whole.

During the Reporting Period, the Supervisory Committee of the Company convened a meeting of re-election that according to the provisions of the Articles, the Supervisory Committee of the Company is comprised of six members. The members of the third session of the Supervisory Committee included Mr. YAN Tengyun, the Chairman of the Supervisory Committee, Mr. LUO Jianzhong, the Supervisor, and Mr. WU Jianliang and Mr. WU Weijian, the staff representative Supervisors, and Mr. TANG Jinmu and Mr. XIAO Zuoping, the independent Supervisors. At the first extraordinary general meeting of the Company in 2014 held on 28 February 2014, two incumbent independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected and Mr. YU Mingfeng and Mr. ZHANG Guixian were newly appointed as the Supervisors of the Company, and the above four Supervisors, together with Mr. WU Weijian and Mr. LIAO Guosheng, the two staff representative Supervisors (Mr. WU Weijian was re-elected and re-appointed as staff representative Supervisor at the staff representative meeting of the Company held on 27 February 2014, whilst at the same time Mr. LIAO Guosheng was newly appointed as a staff representative Supervisor of the fourth session of the Supervisory Committee at the same staff representative meeting) jointly formed the fourth session of the Supervisory Committee of the Company, and among them, Mr. TANG Jinmu and Mr. XIAO Zuoping were the independent Supervisors. Mr. YU Mingfeng was unanimously elected as the Chairman of the fourth session of the Supervisory Committee of the Company at the first meeting of the fourth session of the Supervisory Committee of the Company on 28 February 2014.

In the year of 2014, the Supervisory Committee of the Company convened four meetings, mainly for reviewing and approving 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 2013, and nominating the relevant candidates for the fourth session of the Supervisory Committee of the Company, reviewing and approving the service agreements of the fourth session of the Supervisory Committee of the Company, and electing Mr. YU Mingfeng as the Chairman of the fourth session of the Supervisory Committee of the Company, which each became the resolution respectively.



Report of the Supervisory Committee

During the Reporting Period, all members of the Supervisory Committee of the Company had 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 and general meetings convened in 2014, debriefing on the work report and financial position report concerning the operations of the Company, reviewing the financial report and audit report and considering to the external auditors about their auditing to the Company. In the opinion of the Supervisory Committee, the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at general meetings or by the Board.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2014

1. Operation of the Company in compliance with the law

The Supervisory Committee had strictly monitored the operation and management of the Company and the performance of duties conducted by its Directors and senior management as well as the implementation of the internal control system of the Company pursuant to the provisions of the Listing Rules, applicable laws and regulations and the Articles. The Supervisory Committee was of the opinion that, during the Reporting Period, the Company's procedures of decision-making were standard and legal, the internal control system had been implemented strictly and further improved, and the Company was able to strictly execute all the applicable laws and regulations and to operate normally in accordance with the requirements of the Listing Rules. The Board and senior management had duly and diligently discharged their duties and operated the Company with a standardized operation system in place. The Supervisory Committee neither found contravention of applicable laws or regulations or the Articles nor acts detrimental to the interests of the Company and its shareholders done by the Directors and senior management of the Company.

2. Financial position of the Company

The Supervisory Committee had carefully audited the 2014 financial report, the 2014 profit allocation proposal of the Company and the 2014 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



Report of the Supervisory Committee

management strictly implemented. The 2014 financial report of the Company gives an objective, fair and true view of the financial conditions and operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also opined that the relevant profit allocation proposal of the Company was in line with the Company's current status of operation.

3. Connected transactions of the Company

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

In 2015, all members of the Supervisory Committee will continue to strictly discharge their functions as per the authorities conferred by the laws, regulations and the Articles and put more effort to supervise in order to safeguard and protect the interests of the Company and its shareholders as a whole.

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

YU Mingfeng
Chairman

Xiamen, the PRC
27 March 2015

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 96 to 232, which comprise the consolidated and company balance sheets as at 31 December 2014, 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

Auditor's Responsibility (continued)

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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2015

Consolidated Balance Sheet

As at 31 December 2014

		As at 31 December	
		2014	2013
		RMB'000	RMB'000
	Note		
ASSETS			
Non-current assets			
Investment properties	5	121,866	134,519
Property, plant and equipment	6	6,085,363	5,943,047
Land use rights	7	2,275,530	2,124,221
Intangible assets	8	268,459	271,396
Interests in joint ventures	10	1,146,467	1,123,055
Interests in associates	11	41,260	39,875
Available-for-sale financial assets	12	73,350	50,643
Long-term receivables and prepayments	16	432,535	348,392
Deferred income tax assets	13	256,401	272,114
Total non-current assets		10,701,231	10,307,262
Current assets			
Available-for-sale financial assets	12	72,200	—
Inventories	14	443,955	359,519
Accounts and notes receivable	15	1,092,295	778,201
Other receivables and prepayments	16	830,982	762,349
Term deposits with initial term over three months	17	4,500	51,683
Restricted cash	18	281,908	403,498
Cash and cash equivalents	19	648,058	872,760
Total current assets		3,373,898	3,228,010
Total assets		14,075,129	13,535,272
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	2,726,200	2,726,200
Reserves	25	2,072,565	1,809,306
		4,798,765	4,535,506
Non-controlling interests		4,304,475	3,961,403
Total equity		9,103,240	8,496,909

Consolidated Balance Sheet

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	893,962	1,015,837
Deferred government grants and income	22	159,471	114,619
Long-term payables and advances	21	3,537	38,304
Early retirement benefit obligations		414	574
Deferred income tax liabilities	13	332,332	298,642
Total non-current liabilities		1,389,716	1,467,976
Current liabilities			
Accounts and notes payable	20	844,105	633,640
Other payables and accruals	21	1,132,889	1,972,702
Borrowings	23	1,525,412	920,088
Taxes payable		79,767	43,957
Total current liabilities		3,582,173	3,570,387
Total liabilities		4,971,889	5,038,363
Total equity and liabilities		14,075,129	13,535,272
Net current liabilities		(208,275)	(342,377)
Total assets less current liabilities		10,492,956	9,964,885

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

The financial statements on pages 96 to 104 were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Balance Sheet

As At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	211,927	211,948
Land use rights	7	51,945	88,446
Intangible assets	8	385	751
Investments in subsidiaries	9	5,313,592	5,341,277
Interests in joint ventures	10	4,285	4,285
Available-for-sale financial assets	12	68,894	46,187
Long-term receivables and prepayments	16	55,825	60,936
Deferred income tax assets	13	625	625
Total non-current assets		5,707,478	5,754,455
Current assets			
Other receivables and prepayments	16	306,142	306,928
Restricted cash	18	80	260,080
Cash and cash equivalents	19	101,463	59,912
Total current assets		407,685	626,920
Total assets		6,115,163	6,381,375
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	2,726,200	2,726,200
Reserves	25	2,223,552	2,306,702
Total equity		4,949,752	5,032,902
LIABILITIES			
Non-current liabilities			
Borrowings	23	313,821	182,325
Long-term payables and advances	21	386	36,074
Deferred income tax liabilities	13	12,690	7,013
Total non-current liabilities		326,897	225,412

Balance Sheet

As At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Current liabilities			
Other payables and accruals	21	548,258	762,807
Borrowings	23	289,933	358,773
Taxes payable		323	1,481
Total current liabilities		838,514	1,123,061
Total liabilities		1,165,411	1,348,473
Total equity and liabilities		6,115,163	6,381,375
Net current liabilities		(430,829)	(496,141)
Total assets less current liabilities		5,276,649	5,258,314

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

The financial statements on pages 96 to 104 were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

LIN Kaibiao
Chairman

HUANG Zirong
Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenues	26	6,092,000	4,678,421
Cost of sales		(5,246,411)	(4,022,466)
Gross profit		845,589	655,955
Other income	26	108,218	127,186
Other gains — net	27	397,627	178,363
Selling and marketing expenses		(46,134)	(41,456)
General and administrative expenses		(278,330)	(236,065)
Operating profit		1,026,970	683,983
Finance income	30	59,025	50,048
Finance costs	30	(127,124)	(82,740)
		958,871	651,291
Share of profits less losses of joint ventures	10	5,681	16,955
Share of profits less losses of associates	11	3,383	3,185
Profit before income tax expense		967,935	671,431
Income tax expense	31(a)	(226,786)	(151,235)
Profit for the year		741,149	520,196
Profit attributable to:			
Owners of the Company		429,911	332,789
Non-controlling interests		311,238	187,407
		741,149	520,196
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted (in RMB cents)	34	15.77	12.21
Dividends			
— Final dividends proposed	33	163,572	149,941

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Profit for the year	741,149	520,196
Other comprehensive income/(loss), net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Fair value gains/(losses) on available-for-sale financial assets, net of tax	17,030	(5,479)
Total comprehensive income for the year	758,179	514,717
Total comprehensive income for the year attributable to:		
— Owners of the Company	446,941	327,310
— Non-controlling interests	311,238	187,407
	758,179	514,717

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
Balance at 1 January 2013	2,726,200	667,529	1,736,700	5,130,429	1,582,924	6,713,353
Comprehensive income						
Profit for the year	—	—	332,789	332,789	187,407	520,196
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	—	(5,479)	—	(5,479)	—	(5,479)
— Gross	—	(7,306)	—	(7,306)	—	(7,306)
— Related deferred income tax	—	1,827	—	1,827	—	1,827
Total comprehensive (loss)/income	—	(5,479)	332,789	327,310	187,407	514,717
Total transaction with owners, recognised directly in equity						
Establishment of Xiamen Terminal Group (Note 42)	—	(772,292)	—	(772,292)	2,205,345	1,433,053
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	26,600	26,600
2012 final dividends	—	—	(149,941)	(149,941)	—	(149,941)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(40,873)	(40,873)
Profit appropriation	—	112,296	(112,296)	—	—	—
Total transaction with owners, recognised directly in equity	—	(659,996)	(262,237)	(922,233)	2,191,072	1,268,839
Balance at 31 December 2013	2,726,200	2,054	1,807,252	4,535,506	3,961,403	8,496,909

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
Balance at 1 January 2014	2,726,200	2,054	1,807,252	4,535,506	3,961,403	8,496,909
Comprehensive income						
Profit for the year	—	—	429,911	429,911	311,238	741,149
Other comprehensive income						
Fair value gains on available-for-sale financial assets	—	17,030	—	17,030	—	17,030
— Gross	—	22,707	—	22,707	—	22,707
— Related deferred income tax	—	(5,677)	—	(5,677)	—	(5,677)
Total comprehensive income	—	17,030	429,911	446,941	311,238	758,179
Total transaction with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	74,500	74,500
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(42,666)	(42,666)
2013 final dividends	—	—	(149,941)	(149,941)	—	(149,941)
Profit appropriation	—	5,015	(5,015)	—	—	—
Others (Note 42)	—	(33,741)	—	(33,741)	—	(33,741)
Total transaction with owners, recognised directly in equity	—	(28,726)	(154,956)	(183,682)	31,834	(151,848)
Balance at 31 December 2014	2,726,200	(9,642)	2,082,207	4,798,765	4,304,475	9,103,240

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Net cash generated from operations	36(a)	830,433	670,581
Interest paid		(132,098)	(87,919)
Income tax paid		(228,854)	(97,158)
Net cash generated from operating activities		469,481	485,504
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		(804,718)	(653,031)
Proceeds from disposals of property, plant and equipment and land use rights		392,000	190,096
Advance received for resumption of land		—	12,024
Capital injection to Joint Venture (Note 10)		(18,390)	—
Cash paid for acquisition of subsidiaries in prior year (Note 42(a)(5)/(6))		(634,175)	—
Investment in Build and Transfer project (Note 16(c))		(140,052)	(148,695)
Interested loan to a related party		(60,000)	—
Government grants to property, plant and equipment		52,352	—
Interest received		72,357	38,603
Dividends received		6,236	7,596
Prepayment for acquisition of a joint venture		(19,811)	—
Net decrease in restricted cash		121,590	9,621
Net decrease in term deposits with initial term of over three months		47,183	15,224
Cash acquired from business combination		—	39,547
Purchases of wealth management product		(72,200)	—
Net cash used in investing activities		(1,057,628)	(489,015)
Cash flows from financing activities			
Proceeds from borrowings		2,302,999	1,418,931
Repayments of borrowings		(2,072,732)	(1,279,235)
Contribution from non-controlling shareholders of subsidiaries (Note 42(a)(3))		444,365	26,600
Dividends paid to owners of the Company		(150,124)	(70,356)
Dividends paid to non-controlling shareholders of subsidiaries		(41,198)	(42,373)
Cash paid for acquisition of further interests in a subsidiary in prior year (Note 42(a)(4))		(120,000)	—
Net cash generated from financing activities		363,310	53,567
Net (decrease)/increase in cash and cash equivalents		(224,837)	50,056
Cash and cash equivalents at beginning of year		872,760	827,469
Exchange gains/(losses) on cash and cash equivalents		135	(4,765)
Cash and cash equivalents at end of year	19	648,058	872,760

The notes on pages 105 to 232 are an integral part of these consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. General information

Xiamen International Port Co., Ltd. (the “Company”) is a joint stock limited company established in the People’s Republic of China (the “PRC”). The Company’s H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “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, Haicang port area in Xiamen and Qingzhou operation area in Fuzhou and providing 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. (“XPHG”) as being the parent company of the Company.

These consolidated financial statements were approved for issue by the Board of Directors (the “Board”) of the Company on 27 March 2015.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

(a) New standard, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).and amended standards adopted by the group

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
Amendments to HKFRSs 10, 12 and HKAS 27	Exception from consolidation for investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and measurement — novation of derivatives	1 January 2014
HK(IFRIC) 21	Levies	1 January 2014

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted.

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefit plans	1 July 2014
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group is assessing the full impact of the amendments and standards, and doesn't expect any significant impact on the consolidated financial statements upon adoption. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap.622) has come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with Section 358 of the Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap.622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.3 Consolidation

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

2.3.1 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.1 Subsidiaries (continued)

(a) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated income statement in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(b) Business combinations not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control. 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.1 Subsidiaries (continued)

(b) *Business combinations not under common control* (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.9)(d).

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

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.2 Separate financial statements

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.2 Separate financial statements (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.

2.3.3 Associates

An associate is an entity 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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.3 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 adjacent to 'share of profit of investments accounted for using equity method' 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 consolidated 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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gains and losses on dilution of equity interest 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

2.3.4 Joint arrangements (continued)

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

Impairment testing of the investments in joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the joint ventures 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, joint arrangements and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2.4 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, carried out on a regular basis to make strategic decisions, are responsible for allocating resources and assessing performance of the operating segments.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.5 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, joint ventures 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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and 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 expenses". All other foreign exchange gains and losses are presented in the consolidated income statement.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.6 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 25 to 50 years. The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise.

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

An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.7 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Construction-in-progress represents property, plant and equipment under construction or pending installation and is stated at cost. Cost includes the costs of construction of property, plant and equipment, 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 2.10).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

2.8 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.9 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 48 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights of 48 years.

(b) Sea area use rights

Sea area use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea area for periods of 48 years. Amortisation of sea area use rights are calculated on the straight-line method over the period of the sea area use rights of 48 years.

(c) 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Impairment of non-financial assets

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.11 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 "accounts and notes receivable", "other receivables and prepayments" and "cash and cash equivalents" in the balance sheet (Note 2.15 and 2.16).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.11 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.11 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.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.13 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.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets available for sale is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists 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.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 carried 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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, joint ventures 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

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 has 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.

(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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

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.

2.24 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

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.

(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

Sales of building materials 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.25 Recognition of revenue and income (continued)

(e) Revenue from merchandise trading

Revenue is recognised when the Group transfers all the significant risks and rewards incidental to ownership of goods to the buyer and no longer reserved any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The revenue for the sales of good is recognized on prices received or receivable from the buyer according to the contract or agreement.

(f) Interest income

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

(g) Rental income

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

(h) Dividend income

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

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

2.26 Operating leases (continued)

(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 2.7. Rental income arising from assets leased out under operating lease is recognised in accordance with the Group's income recognition policy as set out in Note 2.25(g) 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.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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, restricted cash, cash and bank balances, accounts receivable, accounts payable and borrowings as at 31 December 2014 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR") and Hong Kong Dollars ("HKD"))(collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 17, 18, 19, 15, 20 and 23 respectively.

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

At 31 December 2014, if RMB had weakened/strengthened by 5% against the USD, EUR and HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB14,531,190 (2013: RMB21,060,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets (other than term deposits, cash and bank balances). The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2014, approximately 28% (2013: 38%) 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 23.

At 31 December 2014, 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 RMB7,334,000 (2013: RMB5,805,000) 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 2014, 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 RMB7,026,000(2013: RMB4,618,000), excluding the tax effect.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk

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

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

In respect of accounts receivable, the Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and asks for collateral when proper and necessary. Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management and utilisation of these credit limits is regularly monitored. Generally, accounts receivable are due within 60 days from the date of billing.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk

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

The Group's demand for cash is due to the port construction, purchase of cargo loading machines and debt repayment. The operating cash flow needed is satisfied by cash received from business operation and bank debt financing.

As at 31 December 2014, the retained earnings of the Group amounted to RMB2,082 million, and the current liabilities exceed the current assets by RMB208 million, the cash and cash equivalent of the Group decreases by RMB225 million. Based on the operating and financing cash inflows of the Group, the board of directors has fully assessed the Group's ability to repay the debt when preparing the consolidated financial statements.

As at 31 December 2014, the available unused bank facilities of the Group amounted to RMB3,811 million. The board of directors of the Company believes that the credit period of these bank facilities can be extended if needed.

Based on the cash inflows from operating activities, bank facilities available to the Group, the board of directors believes that the Group would continue to receive enough finance to support the operation and debt repayment and capital expenditure. As a result of this, the board of directors confirms that the going-concern basis is appropriate for preparing this year financial statements, and there is no need to include any adjustment which is not based on going-concern basis for the Group and the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2014				
Bank borrowings	1,630,225	446,019	482,373	83,627
Long-term payables and advances	—	556	875	2,106
Accounts and notes payable	844,105	—	—	—
Other payables and accruals	1,132,889	—	—	—
	3,607,219	446,575	483,248	85,733

	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 2013				
Bank borrowings	1,004,802	749,800	153,145	212,972
Long-term payables and advances	—	36,390	475	1,439
Accounts and notes payable	633,640	—	—	—
Other payables and accruals	1,972,702	—	—	—
	3,611,144	786,190	153,620	214,411

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2014				
Bank borrowings	312,453	225,093	93,008	19,552
Long-term payables and advances	—	386	—	—
Other payables and accruals	548,258	—	—	—
	860,711	225,479	93,008	19,552

	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 2013				
Bank borrowings	382,681	69,281	111,392	28,282
Long-term payables and advances	—	36,074	—	—
Other payables and accruals	762,807	—	—	—
	1,145,488	105,355	111,392	28,282

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2014, the Group's strategy, which was unchanged from 2013, was to maintain a low gearing ratio. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 RMB'000	2013 RMB'000
Total borrowings (Note 23)	2,419,374	1,935,925
Less: Cash and cash equivalents (Note 19)	(648,058)	(872,760)
Net debt	1,771,316	1,063,165
Total equity	9,103,240	8,496,909
Total capital	10,874,556	9,560,074
Gearing ratio (%)	16.29%	11.12%

The increase in the gearing ratio during 2014 resulted primarily from the increase in bank borrowings during the year (Note 23).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	68,894	—	—	68,894
— Wealth management products	—	—	72,200	72,200

The following table presents the Group's assets that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	46,187	—	—	46,187

There were no transfers between levels 1 and 2 during the year.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

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).

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2 (continued)

- 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.

(c) Financial instruments in level 3

As at 31 December 2014, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. Critical accounting estimates and assumptions (continued)

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, 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 RMB29,563,500, if favourable; or
- decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB29,563,500, if unfavourable.

4.2 Purchase price allocation for business combination

The Group uses the acquisition method of accounting to account for business combinations not under common control. 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.

Accounting for business combination under acquisition method require the Group to identify all assets and liabilities acquired, assess the fair value of all these assets and liabilities, allocate the cost of the acquisition to the identified assets acquired (including any identified intangible assets where appropriate), liabilities and contingent liabilities assumed based on their estimated fair values. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact the Group's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, a valuation was conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. Critical accounting estimates and assumption (continued)

4.3 Taxation

The Group is subject to various kinds of taxes in daily operation. Influenced by effective or substantively effective tax laws and relevant interpretations from tax authorities, there exists the uncertainty in the tax treatment on many transactions and events where requires the estimation from the Group. The management makes the best estimation and records the tax results based on the effective or substantively effective tax laws, relative interpretations and the actual situation of the transactions in the Group. At each balance sheet date, the management reevaluates the estimations according to the updates of the transactions and changes in laws and regulations. Because of the uncertainty aforementioned, the final tax result could be different from management's estimation, such differences will impact the tax recorded in the periods when the final tax results are determined.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. Critical accounting estimates and assumption (continued)

4.4 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 RMB13,608,979 (2013: RMB15,228,666), if unfavourable.

4.5 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.

4.6 The progress and cost of construction in progress

The terminal project experiences a long construction period and the Group transfers the construction in progress to fixed assets upon the completion of the project. Because that the whole construction involves various projects, the completion settlement also takes a long time to accomplish. Consequently, the Group makes the best estimation on the completion status of the project, the time to transfer the construction in progress to fixed asset and the total cost to be transferred. These judgment and estimation may differ with the final completion settlement result which will have impact on the cost of the fix assets initially estimated and corresponding depreciation.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. Critical accounting estimates and assumption (continued)

4.7 Government grants

Government grants should be recognised in the income statement to match them with the expenditure towards which they are intended to compensate. Management will recognise the grants as grants to asset or income according to terms. Sometimes there will be some conditions attached to the grants, management will carefully assess whether the Group will comply with the conditions and grants will be only recognised when the Group is certain to comply with the conditions even if the grants has already been received.

4.8 Impairments of non-current assets

The Group tests at least annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

Specific assumptions and estimates involved in the cash flow projections for goodwill are set out in Note 8.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. Investment properties

	Group	
	2014 RMB'000	2013 RMB'000
Opening net book amount	134,519	103,401
Transfer in from property, plant and equipment (Note 6)	—	18,014
Additions in a new subsidiary (Note 42)	—	16,873
Additions	60	—
Disposal	(7,455)	—
Depreciation	(5,258)	(3,769)
Closing net book amount	121,866	134,519
Cost	151,170	161,491
Accumulated depreciation	(29,304)	(26,972)
Net book amount	121,866	134,519

No independent valuation was carried out for the investment properties. The fair value of the Group's investment properties as at 31 December 2014 amounted to approximately RMB125,520,000(2013: RMB134,818,000) as estimated by the management by making reference to the current market prices for similar properties in the similar location and condition and subject to similar leasing arrangement.

The depreciation charges recognised as expense and include in cost of sales of the Group amounted to RMB5,258,000 for the year ended 31 December 2014 (2013: RMB3,769,000) (Note29).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. Property, plant and equipment

(a) Group

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Vessels	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013										
Cost	300,875	2,666,737	256,765	2,052,441	260,435	225,317	445,914	157,582	197,036	6,563,102
Accumulated depreciation	(96,957)	(405,687)	(108,030)	(765,377)	(162,841)	(133,518)	(151,092)	(117,166)	—	(1,940,668)
Accumulated impairment losses	—	(26)	—	—	(2,644)	(452)	—	(4)	(3,170)	(6,296)
Net book amount	203,918	2,261,024	148,735	1,287,064	94,950	91,347	294,822	40,412	193,866	4,616,138
Year ended 31 December 2013										
Opening net book amount	203,918	2,261,024	148,735	1,287,064	94,950	91,347	294,822	40,412	193,866	4,616,138
Additions	2,113	52,552	6,103	131	24,578	13,290	—	31,106	318,989	448,862
Additions in a new subsidiary (Note 42)	41,306	639,130	81,981	311,751	94,475	1,616	—	2,923	—	1,173,182
Transfer	25,749	21,081	3,156	1,510	6,307	667	—	1,605	(60,075)	—
Transfer to investment properties (Note 5)	(18,014)	—	—	—	—	—	—	—	—	(18,014)
Transfer to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(604)	(604)
Disposals (Note 27(a))	(6,698)	(6,168)	(652)	(2,899)	(1,627)	—	—	(282)	—	(18,326)
Depreciation	(14,190)	(65,892)	(11,169)	(81,098)	(22,759)	(17,240)	(22,714)	(17,130)	—	(252,192)
Impairment	—	(1,823)	(394)	—	(4,234)	452	—	—	—	(5,999)
Closing net book amount	234,184	2,899,904	227,760	1,516,459	191,690	90,132	272,108	58,634	452,176	5,943,047
At 31 December 2013										
Cost	326,538	3,389,854	328,023	2,286,137	444,724	213,734	459,164	190,888	455,346	8,094,408
Accumulated depreciation	(92,354)	(488,101)	(99,869)	(769,678)	(246,156)	(123,602)	(187,056)	(132,250)	—	(2,139,066)
Accumulated impairment losses	—	(1,849)	(394)	—	(6,878)	—	—	(4)	(3,170)	(12,295)
Net book amount	234,184	2,899,904	227,760	1,516,459	191,690	90,132	272,108	58,634	452,176	5,943,047

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. Property, plant and equipment (continued)

(a) Group (continued)

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Vessels	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014										
Opening net book amount	234,184	2,899,904	227,760	1,516,459	191,690	90,132	272,108	58,634	452,176	5,943,047
Additions	15,303	718	5,331	2,314	25,786	18,503	560	14,025	487,081	569,621
Transfer	63,058	19,193	20,353	3,076	32,141	292	97,012	2,309	(237,434)	—
Transfer to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(257)	(257)
Disposals (Note 27(a))	(5,888)	(61,924)	(1,340)	(41,018)	(9,888)	(1,236)	—	(10,164)	—	(131,458)
Depreciation	(12,640)	(82,426)	(10,688)	(100,831)	(26,441)	(17,824)	(26,430)	(18,355)	—	(295,635)
Reclassification	(2,435)	(26,428)	28,731	(2,603)	(1,873)	896	(13)	3,725	—	—
Impairment reversal	—	—	45	—	—	—	—	—	—	45
Closing net book amount	291,582	2,749,037	270,192	1,377,397	211,415	90,763	343,237	50,174	701,566	6,085,363
At 31 December 2014										
Cost	407,573	3,176,810	388,724	2,226,088	483,854	221,968	556,815	188,711	704,736	8,355,279
Accumulated depreciation	(115,991)	(425,924)	(118,183)	(848,691)	(265,561)	(131,205)	(213,578)	(138,533)	—	(2,257,666)
Accumulated impairment losses	—	(1,849)	(349)	—	(6,878)	—	—	(4)	(3,170)	(12,250)
Net book amount	291,582	2,749,037	270,192	1,377,397	211,415	90,763	343,237	50,174	701,566	6,085,363

The depreciation charges recognised as expense and include in cost of sales and operating expenses of the Group amounted to RMB295,635,000 (2013: RMB252,192,000) (Note 29).

During the year ended 31 December 2014, the Group has capitalised borrowing costs amounting to RMB10,675,000 (2013: RMB2,707,000) on qualifying assets (Note 30).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2013									
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
Year ended 31 December 2013									
Opening net book amount	30,491	642,655	45,114	454,503	28,860	12,243	1,892	118,584	1,334,342
Additions	148	1,403	—	819	815	—	2,041	44,907	50,133
Transfer	5,300	19,949	—	—	117	—	314	(25,680)	—
Transfer to intangible assets (Note 8)	—	—	—	—	—	—	—	(604)	(604)
Disposals (Note 42)	(16,421)	(572,662)	(45,114)	(429,012)	(25,103)	(10,499)	(408)	(14,896)	(1,114,115)
Depreciation	(1,836)	(21,202)	—	(26,310)	(4,689)	(1,744)	(2,027)	—	(57,808)
Closing net book amount	17,682	70,143	—	—	—	—	1,812	122,311	211,948
At 31 December 2013									
Cost	20,432	98,489	—	—	—	—	12,578	125,481	256,980
Accumulated depreciation	(2,750)	(28,346)	—	—	—	—	(10,766)	—	(41,862)
Accumulated impairment losses	—	—	—	—	—	—	—	(3,170)	(3,170)
Net book amount	17,682	70,143	—	—	—	—	1,812	122,311	211,948

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. Property, plant and equipment (continued)

(b) Company (continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Other machineries RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
Year ended 31 December 2014								
Opening net book amount	17,682	70,143	—	—	—	1,812	122,311	211,948
Additions	2,724	—	—	—	—	969	4,247	7,940
Transfer	3,276	—	10,883	15,195	—	1,228	(30,582)	—
Reclassification	—	—	—	—	896	(896)	—	—
Disposals	(230)	—	—	—	—	(5)	—	(235)
Depreciation	(1,600)	(5,390)	—	—	(273)	(463)	—	(7,726)
Closing net book amount	21,852	64,753	10,883	15,195	623	2,645	95,976	211,927
At 31 December 2014								
Cost	26,112	98,489	10,883	15,195	2,898	11,611	99,146	264,334
Accumulated depreciation	(4,260)	(33,736)	—	—	(2,275)	(8,966)	—	(49,237)
Accumulated impairment losses	—	—	—	—	—	—	(3,170)	(3,170)
Net book amount	21,852	64,753	10,883	15,195	623	2,645	95,976	211,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. Land use rights

	Group RMB'000	Company RMB'000
At 1 January 2013		
Cost	1,517,167	559,230
Accumulated amortisation	(230,505)	(97,517)
Net book amount	1,286,662	461,713
Year ended 31 December 2013		
Opening net book amount	1,286,662	461,713
Additions	36,572	959
Additions in a new subsidiary (a)	917,646	—
Disposals (b)	(82,442)	(371,210)
Amortisation	(34,217)	(3,016)
Closing net book amount	2,124,221	88,446
At 31 December 2013		
Cost	2,372,551	115,963
Accumulated amortisation	(248,330)	(27,517)
Net book amount	2,124,221	88,446
Year ended 31 December 2014		
Opening net book amount	2,124,221	88,446
Additions(c)	246,241	—
Disposals (d)	(38,712)	(35,329)
Amortisation	(56,220)	(1,172)
Closing net book amount	2,275,530	51,945
At 31 December 2014		
Cost	2,557,839	56,207
Accumulated amortisation	(282,309)	(4,262)
Net book amount	2,275,530	51,945



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. Land use rights (continued)

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 (2013: between 26 and 50 years).

The amortisation charges recognised as expense and include in cost of sales and operating expenses of the Group amounted to RMB56,220,000 (2013: RMB34,217,000) (Note 29).

- (a) In 2013, the additions of the Group represent the land use rights contributed to Xiamen Terminal Group by Xiamen ITG Terminals Co., Ltd. ("ITG Terminal"), Xiamen Xiangyu Logistics Co., Ltd. ("Xiangyu Logistics") and Xiamen New World Xiangyu Terminals Co., Ltd. ("NWX Terminal") as capital contribution. As at 31 December 2014, the transfers of related land use right certificates are still in process. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.
- (b) In 2013, the disposals of the Company represent the land use rights injected to Xiamen Terminal Group as capital contribution.
- (c) In 2014, the additions of the Group mainly represent the land use rights procurement of Xiamen Hailong Terminal Co., Ltd. and Sanming Port Construction Co., Ltd.. As at 31 December 2014, the transfers of Xiamen Hailong Terminal Co., Ltd. and Sanming Port Construction Co., Ltd.'s land use right certificates are still in process. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.
- (d) In 2014, the disposals of the Group and the Company represent the Dongdu Ferry Berth land use rights resumed by the government (Note 27(a)).
- (e) As at 31 December 2014, the land use right transfers of Xiamen Baoshui Logistics Park (belongs to Xiamen Port Development Co., Ltd. ("XPD")) and Songyu Port Ferry Berth Terminals (belongs to Xiamen Port Shipping Co., Ltd.) are still in process. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. Intangible assets

Movement in intangible assets is set out as follows:

(a) Group

	Goodwill (Note (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2013					
Cost	—	112,640	13,004	24,249	149,893
Accumulated amortisation	—	(14,087)	(1,761)	(17,108)	(32,956)
Net book amount	—	98,553	11,243	7,141	116,937
Year ended 31 December 2013					
Opening net book amount	—	98,553	11,243	7,141	116,937
Additions	—	828	—	6,259	7,087
Transfer in from property, plant and equipment (Note 6)	—	—	—	604	604
Additions in a new subsidiary	129,261	7,454	—	16,061	152,776
Amortisation	—	(2,320)	(271)	(3,417)	(6,008)
Closing net book amount	129,261	104,515	10,972	26,648	271,396
At 31 December 2013					
Cost	129,261	120,922	13,004	47,173	310,360
Accumulated amortisation	—	(16,407)	(2,032)	(20,525)	(38,964)
Net book amount	129,261	104,515	10,972	26,648	271,396
Year ended 31 December 2014					
Opening net book amount	129,261	104,515	10,972	26,648	271,396
Additions	—	—	—	10,328	10,328
Transfer in from property, plant and equipment (Note 6)	—	—	—	257	257
Reclassification	—	(829)	—	829	—
Amortisation	—	(2,529)	(271)	(10,722)	(13,522)
Closing net book amount	129,261	101,157	10,701	27,340	268,459
At 31 December 2014					
Cost	129,261	119,593	13,004	58,314	320,172
Accumulated amortisation	—	(18,436)	(2,303)	(30,974)	(51,713)
Net book amount	129,261	101,157	10,701	27,340	268,459

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. Intangible assets (continued)

(a) Group (continued)

Goodwill of RMB129,261,000 was resulted from the merger of ITG Terminal and NWXY Terminal through the formation of Xiamen Terminal Group (Note 42), and the goodwill is allocated to the container loading and unloading and storage business segment.

(i) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing:

Cash-generating unit	Segment	Carrying amount of goodwill	
		2014 RMB'000	2013 RMB'000
Xiamen Terminal Group	container loading and unloading and storage business	129,261	129,261

The recoverable amount of the above cash-generating unit has been determined based on their value in use. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. Intangible assets (continued)

(a) Group (continued)

(i) Impairment testing of goodwill (continued)

For Xiamen Terminal Group CGU, the key assumptions in 2014 and 2013 are as follows.

	2014	2013
Growth rate used to extrapolate cash flows beyond five-year period	3%	3%
Discount rate applied to the container loading, unloading and storage cash flow projections	14%	14%
Gross Margin	42%	42%

Assumptions were used in the value in use calculations of the above cash-generating units for 31 December 2014 and 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate — The discount rate used reflects specific risks relating to the relevant units.

The amortisation charges recognised as expense and include in general and administrative expense amounted to RMB13,522,000 (2013: RMB6,008,000) (Note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. Intangible assets (continued)

(b) Company

	Computer software RMB'000
At 1 January 2013	
Cost	4,773
Accumulated amortisation	(1,803)
Net book amount	2,970
Year ended 31 December 2013	
Opening net book amount	2,970
Transfer in from property, plant and equipment (Note 6)	604
Disposals	(2,454)
Amortisation	(369)
Closing net book amount	751
At 31 December 2013	
Cost	1,842
Accumulated amortisation	(1,091)
Net book amount	751
Year ended 31 December 2014	
Opening net book amount	751
Amortisation	(366)
Closing net book amount	385
At 31 December 2014	
Cost	1,842
Accumulated amortisation	(1,457)
Net book amount	385

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. Investments in subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Investments, at cost		
— Shares of a listed company (a)	1,127,274	1,127,274
— Unlisted equity investments	4,186,318	4,214,003
	5,313,592	5,341,277
Market value of the shares of a listed company (b)	4,551,734	2,248,059

(a) This represents the Company's investment in XPD, a company listed in the Shenzhen Stock Exchange.

(b) The market value of the investment in XPD is determined by reference to the market price of RMB15.55 per share (2013: RMB7.68 per share) as at 31 December 2014.

Particulars of the Company's subsidiaries are set out in Note 40(a).

(c) Material non-controlling interests

The total non-controlling interests as at 31 December 2014 is RMB4,304,475,000 of which RMB1,374,208,000 is for XPD and RMB2,930,267,000 is attributed to Xiamen Terminal Group.

Set out below are the summarised financial information for XPD and Xiamen Terminal Group that has non-controlling interests that are material to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. Investments in subsidiaries (continued)

(c) Material non-controlling interests (continued)

Summarised balance sheet

	Xiamen Terminal Group	
	2014 RMB'000	2013 RMB'000
Current assets	514,860	848,004
Current liabilities	(1,121,464)	(1,343,292)
Total current net liabilities	(606,604)	(495,288)
Non-current assets	7,771,841	7,703,579
Non-current liabilities	(560,617)	(927,405)
Total non-current net assets	7,211,224	6,776,174
Net assets	6,604,620	6,280,886
Equity attributable to owners of the Xiamen Terminal Group	6,149,545	5,844,703
Non-controlling interests	455,075	436,184

Summarised statement of comprehensive income

	Xiamen Terminal Group
	2014 RMB'000
Revenue	1,225,562
Profit before income tax	408,719
Income tax expense	(84,986)
Profit after income tax	323,733
Other comprehensive income	—
Total comprehensive income	323,733
Total comprehensive income allocated to non-controlling interests	18,891
Dividend paid to non-controlling interests	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. Investments in subsidiaries (continued)

(c) Material non-controlling interests (continued)

Summarised cash flows

	Xiamen Terminal Group
	2014
	RMB'000
Cash generated from operations	650,012
Interest paid	(60,570)
Income tax paid	(58,009)
Net cash generated from operating activities	531,433
Net cash used in investing activities	(499,449)
Net cash used in financing activities	(132,222)
Net decrease in cash and cash equivalents	(100,238)
Cash and cash equivalents at beginning of year	241,998
Exchange gains on cash and cash equivalents	1
Cash and cash equivalents at end of year	141,761

Xiamen Terminal Group was established on 13 December 2013 and the operation results and cash flow for the period from 13 December 2013 to 31 December 2013 of Xiamen Terminal Group and the corresponding non-controlling interests during that period are not material to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. Investments in subsidiaries (continued)

(c) Material non-controlling interests (continued)

Summarised balance sheet

	XPD	
	2014 RMB'000	2013 RMB'000
Current assets	2,438,884	1,939,898
Current liabilities	(1,782,744)	(1,471,893)
Total current net assets	656,140	468,005
Non-current assets	2,557,294	2,162,253
Non-current liabilities	(492,130)	(227,748)
Total non-current net assets	2,065,164	1,934,505
Net assets	2,721,304	2,402,510
Equity attributable to owners of XPD	2,443,490	2,203,061
Non-controlling interests	277,814	199,449

Summarised statement of comprehensive income

	XPD	
	2014 RMB'000	2013 RMB'000
Revenue	4,898,305	3,866,562
Profit before income tax	543,236	475,196
Income tax expense	(137,314)	(115,993)
Profit after income tax	405,922	359,203
Other comprehensive income	—	—
Total comprehensive income	405,922	359,203
Total comprehensive income allocated to non-controlling interests	35,628	32,463
Dividend paid to non-controlling interests	31,763	36,098

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. Investments in subsidiaries (continued)

(c) Material non-controlling interests (continued)

Summarised cash flows

	XPD	
	2014 RMB'000	2013 RMB'000
Cash generated from operations	249,121	306,268
Interest paid	(40,996)	(19,362)
Income tax paid	(80,997)	(115,992)
Net cash generated from operating activities	127,128	164,914
Net cash used in investing activities	(503,804)	(442,993)
Net cash generated from financing activities	274,059	193,391
Net decrease in cash and cash equivalents	(102,617)	(81,688)
Cash and cash equivalents at beginning of year	554,589	632,226
Exchange gains on cash and cash equivalents	895	4,051
Cash and cash equivalents at end of year	452,867	554,589

The information above is the amount before inter-company eliminations.

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For the year ended 31 December 2014

10. Interests in joint ventures

(a) Group

	2014 RMB'000	2013 RMB'000
As at 1 January	1,123,055	767,940
Dividends received	(659)	(7,937)
Acquisition of a new joint venture	—	346,097
Investment in joint ventures	18,390	—
Share of results	5,681	16,955
As at 31 December	1,146,467	1,123,055

As at 31 December 2014, the Group had interests in seven joint ventures, which are Xiamen International Container Terminals Limited (“XICT”), Xiamen Haicang International Container Terminals Limited (“XHICT”), Xiamen Port YCH Logistics Co., Ltd. (“XPYCH”), Xiamen Port Container Co., Ltd. (“XPC”), Xiamen Port Baohe Logistics Co., Ltd. (“XPBL”), Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. (“XinHaiDa”) and Fuzhou Mawei Shipping Co. Ltd. (“FMS”).

All of the joint ventures are established in China and the significant financial and operating decisions shall be agreed by all the owners of the joint ventures. The Group’s equity interests in XICT, XHICT, XPYCH, XPC, XPBL, XinHaiDa and FMS is 51%,51%,60%,51%,35%, 46%, and 51% respectively as at 31 December 2014.

As at 31 December 2014, there are no significant commitments and contingent liabilities relating to the Group’s interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2013: Nil).

All the joint ventures are private companies and there are no quoted market prices available for their shares.

Particulars of the Group’s joint ventures are set out in Note 40(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. Interests in joint ventures (continued)

(a) Group (continued)

Set out below are the summarised financial information for material joint ventures which are accounted for using the equity method.

Summarised balance sheet

	XICT		XHICT		XinHaiDa	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current						
Cash and cash equivalents	150,727	209,395	15,666	22,503	17,483	8,385
Other current assets	77,450	68,856	6,045	6,474	64,977	7,356
Total current assets	228,177	278,251	21,711	28,977	82,460	15,741
Financial liabilities	(26,039)	(132,341)	(9,562)	(11,430)	(316,076)	(192,619)
Other current liabilities	(12,508)	(13,956)	(179,781)	(1,826)	(10,977)	(25,198)
Total current liabilities	(38,547)	(146,297)	(189,343)	(13,256)	(327,053)	(217,817)
Non-current						
Assets	780,168	806,844	897,852	742,614	2,288,339	2,279,986
Financial liabilities	—	—	(208,000)	(267,000)	(1,322,120)	(1,322,745)
Other non-current liabilities	—	—	—	—	—	(5,428)
Total non-current liabilities	—	—	(208,000)	(267,000)	(1,322,120)	(1,328,173)
Net assets	969,798	938,798	522,220	491,335	721,626	749,737

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. Interests in joint ventures (continued)

(a) Group (continued)

Summarised statement of comprehensive income

	XICT		XHICT		XinHaiDa	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	129,010	111,501	134,766	109,571	—	—
Expenses	(46,730)	(45,804)	(24,776)	(23,781)	(15,446)	(2,433)
Interest income	2,852	3,259	228	209	147	11
Interest expense	—	(3,258)	(14,506)	(17,144)	—	—
Profit before income tax	38,685	22,950	40,834	24,660	(28,111)	(2,422)
Income tax expense	(7,685)	(3,960)	(9,950)	(2,909)	—	(226)
Profit/(loss) after income tax	31,000	18,990	30,884	21,751	(28,111)	(2,648)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income/(loss)	31,000	18,990	30,884	21,751	(28,111)	(2,648)
Dividends received from joint venture	—	(6,120)	—	—	—	—

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. Interests in joint ventures (continued)

(a) Group (continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures.

Reconciliation of summarised financial information

	XICT		XHICT		XinHaiDa	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Opening net assets	938,798	931,808	491,335	469,584	749,737	752,385
Profit/(loss) for the period	31,000	18,990	30,885	21,757	(28,111)	(2,648)
Other comprehensive income	—	—	—	—	—	—
Profit attributed to the Group	—	(12,000)	—	—	—	—
Closing net assets	969,798	938,798	522,220	491,335	721,626	749,737
Interest in joint ventures	51%	51%	51%	51%	46%	46%
Carrying amount	494,597	478,787	266,332	250,581	331,948	344,879

The profit/(loss), asset (including goodwill) and liabilities of immaterial joint ventures belong to the Group is shown as following:

	Group	
	2014 RMB'000	2013 RMB'000
Revenue	40,517	24,193
Loss for the year	(12,949)	(2,605)

	Group	
	2014 RMB'000	2013 RMB'000
Total assets	202,778	187,013
Total liabilities	149,188	138,205

Notes to the Consolidated Financial Statements

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10. Interests in joint ventures (continued)

(b) Company

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	4,285	4,285

11. Interests in associates

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Share of net assets	41,260	39,875	—	—
Unlisted investments, at cost	23,030	23,030	—	—

Movement in investments in associates is set out as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	39,875	37,227	—	530,001
Contribution of an associate to a subsidiary	—	—	—	(530,001)
Dividends received	(1,998)	(537)	—	—
Share of results before income tax expense	4,508	4,247	—	—
Share of income tax expense	(1,125)	(1,062)	—	—
	3,383	3,185	—	—
At 31 December	41,260	39,875	—	—

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11. Interests in associates (continued)

The profit, asset (including goodwill) and liabilities belong to the Group is shown as following:

	Group	
	2014 RMB'000	2013 RMB'000
Revenue	29,699	20,400
Profit for the year	3,383	3,185

	Group	
	2014 RMB'000	2013 RMB'000
Total assets	45,344	44,188
Total liabilities	4,084	4,313

Particulars of the Group's associates are set out in Note 40(c).

They are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

There is no single associate that is individually significant to the group.

Notes to the Consolidated Financial Statements

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12. Available-for-sale financial assets

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	50,643	57,949	46,187	53,493
Net fair value gains/(losses) transferred to equity	22,707	(7,306)	22,707	(7,306)
Wealth management product (c)	72,200	—	—	—
At 31 December	145,550	50,643	68,894	46,187

Available-for-sale financial assets include the following:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Equity investments listed in the PRC, at fair value (a)	68,894	46,187	68,894	46,187
Unlisted equity investments, at cost (b)	9,456	9,456	5,000	5,000
Wealth management products (c)	72,200	—	—	—
Less: provision for impairment (b)	(5,000)	(5,000)	(5,000)	(5,000)
	145,550	50,643	68,894	46,187

- (a) The Group holds 6,436,350 (2013: 6,436,350) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") and 4,301,000 (2013: 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 (2013: 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 2014 and 2013, impairment provision amounted to RMB5,000,000 for certain of the unlisted investments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

- (c) The Group subscribed for wealth management products for an aggregate amount of RMB72,200,000, with floating annual return range from 4.4% to 5.4%. The maturity of the wealth management products are within one year.

13. Deferred income tax

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred income tax assets				
At 1 January	272,114	54,182	625	778
Charged to consolidated income statement (Note 31)	(15,713)	(3,299)	—	(153)
Acquisition of a new subsidiary (a)	—	221,231	—	—
At 31 December	256,401	272,114	625	625
To be recovered:				
Within 12 months	8,880	3,819	—	—
After more than 12 months	247,521	268,295	625	625
	256,401	272,114	625	625
Deferred income tax liabilities				
At 1 January	298,642	38,804	7,013	8,840
Charged/(credited) to:				
— consolidated income statement (Note 31)	28,013	45,331	—	—
— other comprehensive income (Note 25)	5,677	(1,827)	5,677	(1,827)
Acquisition of a new subsidiary	—	216,334	—	—
At 31 December	332,332	298,642	12,690	7,013
To be settled:				
Within 12 months	7,824	379	—	—
After more than 12 months	324,508	298,263	12,690	7,013
	332,332	298,642	12,690	7,013

Notes to the Consolidated Financial Statements

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13. Deferred income tax (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred income tax assets				
Revaluation in connection with businesses contributed to subsidiary (a)	214,457	221,231	—	—
Revaluation surplus in connection with asset swap with XPD (d)	—	25,322	—	—
Deferred income (b)	12,273	1,050	—	—
Unrealized gain on sale and contribution of property, plant and equipment to a joint venture (c)	9,473	9,607	—	—
Unrealized gain on contribution of land use right to a joint venture (c)	1,532	1,570	—	—
Provisions for impairment of				
— receivables	7,921	7,032	—	—
— available-for-sale financial assets	625	625	625	625
— inventories	4,863	2,603	—	—
— property, plant and equipment	3,063	3,074	—	—
Other	2,194	—	—	—
	256,401	272,114	625	625

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

- (a) The balance represents the deferred income tax assets of RMB47,783,000 (2013:RMB49,292,000) arising from the Berth No.6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions and the deferred income tax assets of RMB166,674,000 (2013:RMB171,939,000) arising from the Berth No 4-5 of Haicang Port and Berth No.5-11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. The valuation amounts form the base for calculating the future taxable profits, while the accounting base of these assets have not been adjusted for such surplus in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. Deferred income tax (continued)

- (b) The balance mainly represents the deferred income tax assets of RMB10,000,000 arising from the government grant received by the Group.
- (c) 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 rights to joint ventures in prior years.
- (d) The balance of 31 December 2013 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 assets were disposed in 2014 in the asset resumption of Dongdu area (Note 27).

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred income tax liabilities				
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. (“Haitian Terminal”)	1,965	2,345	—	—
Fair value gain on available-for-sale financial assets	12,690	7,013	12,690	7,013
Gain on land and assets resumption (e)	105,482	70,406	—	—
Revaluation in connection with businesses contributed to subsidiary (f)	208,977	216,334	—	—
Other	3,218	2,544	—	—
	332,332	298,642	12,690	7,013

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 the fair value gain on available-for-sale financial assets which were debited to other comprehensive income statement.

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For the year ended 31 December 2014

13. Deferred income tax (continued)

- (e) The balance represents the deferred tax liability relating to the gain resulted from the disposal of land and certain assets situated thereon (such as infrastructure) of Dongdu Berth No.1, No.2, No.3 and No.4 (Note 27).
- (f) The balance represents the deferred tax liability of RMB208,977,000 (2013: RMB216,334,000) resulting from Xiamen ITG and Xiangyu Logistics injecting their equity interests of ITG Terminal and NWCY Terminal respectively into Xiamen Terminal Group.

14. Inventories

	Group	
	2014 RMB'000	2013 RMB'000
Raw materials	23,484	37,808
Finished goods and merchandise	414,211	313,305
Spare parts and consumables	26,635	18,822
	464,330	369,935
Less: provision for impairment	(20,335)	(10,416)
	443,995	359,519

The raw materials primarily comprise fuel and oil. Finished goods and merchandise primarily represent food, steel and building materials for the Group's business of trading of merchandise and building materials. 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 RMB3,594,757,000 (2013: RMB2,680,844,000) (Note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. Accounts and notes receivable

	Group	
	2014 RMB'000	2013 RMB'000
Accounts receivable	1,031,771	730,308
Less: provision for impairment	(22,740)	(20,004)
	1,009,031	710,304
Due from fellow subsidiaries (Note 39(b))	13,647	2,376
Due from joint ventures (Note 39(b))	28,477	13,674
Due from other related parties (Note 39(b))	400	752
Notes receivable	40,740	51,095
	1,092,295	778,201

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. Accounts and notes receivable (continued)

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

	Group	
	2014 RMB'000	2013 RMB'000
Less than 6 months	1,004,033	736,052
6 months to 1 year	76,313	18,517
1 year to 2 years	20,540	32,488
2 years to 3 years	6,178	1,561
Over 3 years	7,971	9,587
	1,115,035	798,205
Less: provision for impairment	(22,740)	(20,004)
	1,092,295	778,201

Notes receivable are with average maturity dates of within 6 months. The carrying amounts of accounts and notes receivable approximate their fair values.

The amounts due from fellow subsidiaries, joint ventures and other related parties are unsecured, interest free and subject to agreed credit terms.

As of 31 December 2014, the Group's trade receivables of RMB958,686,000 (2013: RMB677,636,000) were fully performing.

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2014, the Group's accounts receivable of RMB75,395,000 (2013: RMB18,082,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. Accounts and notes receivable (continued)

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

	Group	
	2014 RMB'000	2013 RMB'000
Less than 6 months	4,606	7,037
6 months to 1 year	918	719
1 year to 2 years	20,540	32,488
2 years to 3 years	6,178	1,561
Over 3 years	7,971	9,587
	40,213	51,392

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

	Group	
	2014 RMB'000	2013 RMB'000
RMB	1,011,099	755,309
USD	81,196	22,892
	1,092,295	778,201

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

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	20,004	27,405
Provision/(reversal of) for impairment	2,736	(6,628)
Uncollectible receivables written off during the year	—	(773)
At 31 December	22,740	20,004

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. Accounts and notes receivable (continued)

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

16. Other receivables and prepayments

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other receivables (a)	562,086	714,843	84,846	4,982
Advances to suppliers	298,846	208,938	84	84
Less: provision for impairment	(9,006)	(8,122)	—	—
	851,926	915,659	84,930	5,066
Due from parent company (Note 39(b))	12,931	622	—	—
Due from subsidiaries (b)	—	—	83,267	150,540
Due from fellow subsidiaries (Note 39(b))	5,984	10,138	5	—
Due from joint ventures (Note 39(b))(f)	150,038	12,472	89,564	—
Due from other related parties (Note 39(b))	146	—	—	—
Prepayments and deposits (d)	236,435	151,583	90,000	90,000
Interest receivable	6,057	19,389	—	19,384
Dividends receivable	—	878	14,201	102,874
	1,263,517	1,110,741	361,967	367,864
Less: long-term receivables and prepayments				
— Payments made to Build and Transfer project (c)	(283,003)	(195,809)	—	—
— Prepayment for acquisition of land use rights	(6,580)	(82,208)	—	—
— Prepayment for operating lease in the Qingzhou operating area (d)	(55,825)	(60,936)	(55,825)	(60,936)
— Prepayment for acquisition of property, plant and equipment (e)	(67,316)	(8,439)	—	—
— Prepayment for long-term investments	(19,811)	—	—	—
— Others	—	(1,000)	—	—
	(432,535)	(348,392)	(55,825)	(60,936)
Current portion	830,982	762,349	306,142	306,928



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For the year ended 31 December 2014

16. Other receivables and prepayments (continued)

- (a) The other receivables balance as at 31 December 2014 of the Group includes a receivable amount of RMB417,443,000 for BT project (Note 16(c)), a receivable amount of RMB107,235,000 relating to the land and assets resumption in Dongdu area (Note 27).
- (b) The balance due from subsidiaries as at 31 December 2014 is mainly composed of receivables due from Xiamen Terminal Group amounting to RMB83 million for the pre-acquisition profit attributable to the Company relating to the businesses contributed by the Company to Xiamen Terminal Group pursuant to the JV Agreement.
- (c) In July 2012, XPD, CCC Third Harbor Engineering Co., Ltd. (“Third Harbor Engineering”) entered into a Build-Transfer (“BT”) agreement (the “BT Agreement”) with Zhangzhou Gulei Port Road Construction Co., Ltd.. The total investment amount of the BT Project was estimated to be approximately RMB523 million with an investment return which will be calculated at an annual interest rate of 8.63% to 10.70%. As at 31 December 2014, payment made by XPD together with the associated interests amounted to RMB417,443,000 (2013: RMB249,390,000), among which RMB134,440,000 (2013: 53,581,000) was recorded in other receivables which was fully collected in February 2015 and RMB283,003,000 (2013: RMB195,809,000) was recorded in long-term receivables.

As at 31 December 2014, the total investment commitment for the BT project is estimated to be approximately RMB116,964,000.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. Other receivables and prepayments (continued)

- (d) The Company and its subsidiary, Fuzhou Haiying Port Co., Ltd., entered into a ten-year operating lease with Fuzhou Zhongying Gangwu Co., Ltd.. RMB1,000,000 and RMB89,000,000 was paid by the Company in 2012 and 2013 respectively as the rental deposits, which will be refunded at the end of lease term. The difference at any point in time between cash paid and annual charge is recognised as a prepayment or accrual on the balance sheet. As at 31 December 2014, the prepayment for the coming year of approximately RMB34,175,000 was recorded in short-term prepayment, and the rest of approximately RMB55,825,000 was recorded as long term prepayments.
- (e) As at 31 December 2014, the prepayment for acquisition of property, plant and equipment of the Group mainly composed of the prepayment of RMB44,124,050 made by Xiamen Hailong Terminal Co., Ltd, a subsidiary of the Group and the prepayment of RMB23,191,950 made by Xiamen Chaozhou port Co., Ltd, a subsidiary of the Group.
- (f) As at 31 December 2014, an entrusted loan to XinHaiDa with an amount of RMB60,000,000 was recorded in other receivables. The weighted average interest rate of the entrusted loan is 6.78%, the maturity is within one year.

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 2014, none of the Company's receivable balances as mentioned above is either past due or impaired.

Except for the entrusted loan to XinHaiDa, the amounts due from the parent company, subsidiaries, fellow subsidiaries, joint ventures, associates and other related parties are unsecured, interest free and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

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16. Other receivables and prepayments (continued)

Ageing analysis of the gross other receivables and prepayments (including amounts due from parent company, subsidiaries, fellow subsidiaries, joint ventures, associates and other related parties) at respective balance sheet dates are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Less than 6 months	498,065	726,508	16,616	277,354
6 months to 1 year	76,702	33,000	84,172	29,574
1 year to 2 years	258,179	3,434	205,354	—
2 years to 3 years	1,204	2,060	—	—
Over 3 years	5,838	5,469	—	—
	839,988	770,471	306,142	306,928
Less: provision for impairment	(9,006)	(8,122)	—	—
	830,982	762,349	306,142	306,928

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

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	8,122	8,196
Provision for impairment	884	677
Uncollectible receivables written off during the year	—	(751)
At 31 December	9,006	8,122

The net effect of the creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement (Note 29). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2014 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 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. Term deposits with initial term over three months

	Group	
	2014	2013
	RMB'000	RMB'000
Term deposits denominated in:		
RMB	4,500	33,349
USD	—	18,334
	4,500	51,683

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, is 3.12% (2013: 3.77%) per annum.

The maximum exposure to credit risk in respect of term deposits with initial term 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, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. Cash and cash equivalents

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	652,558	924,443	101,463	59,912
Less: term deposits with initial term over three months (Note 17)	(4,500)	(51,683)	—	—
Cash and cash equivalents	648,058	872,760	101,463	59,912
Maximum exposure to credit risk (net of cash in hand)	648,058	872,701	101,463	59,912
Denominated in:				
RMB	606,200	848,812	100,444	59,906
USD	40,656	22,512	4	4
HKD	1,085	1,304	1,015	2
EUR	117	132	—	—
	648,058	872,760	101,463	59,912

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	
	2014 RMB'000	2013 RMB'000
Accounts payable	560,121	399,475
Due to parent company (Note 39(b))	29,257	61,815
Due to joint ventures (Note 39(b))	19,583	1,450
Due to fellow subsidiaries (Note 39(b))	10,635	7,013
Notes payable	224,509	163,887
	844,105	633,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

20. Accounts and notes payable (continued)

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

	Group	
	2014 RMB'000	2013 RMB'000
Within 1 year	811,972	625,391
1 year to 2 years	25,620	3,735
2 years to 3 years	3,279	684
Over 3 years	3,234	3,830
	844,105	633,640

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

The amounts due to the parent company, joint ventures 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	
	2014 RMB'000	2013 RMB'000
RMB	698,833	573,534
USD	145,272	60,106
	844,105	633,640

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. Other payables and accruals

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Due to parent company (a)(Note 39(b))	359,149	725,884	339,818	496,695
Due to subsidiaries	—	—	15,050	8,846
Due to fellow subsidiaries (Note 39(b))	49,829	15,421	828	828
Due to associates (Note 39(b))	5,666	—	—	—
Due to other related parties (Note 39(b))	8,583	17,792	—	—
Payables for purchases of property, plant and equipment and construction-in-progress	60,375	48,469	34,323	48,113
Salary and welfare payables	165,201	142,307	7,806	6,056
Customer deposits	240,650	215,512	—	17,237
Accrued expenses	3,907	3,418	3,907	2,318
Dividends payable to				
— shareholders of the Company	96,679	96,862	96,679	96,862
— non-controlling shareholders of subsidiaries (Note 39(b))	4,074	2,606	—	—
Interest payables	10,205	4,504	—	—
Other payables (b)	132,108	738,231	50,233	121,926
	1,136,426	2,011,006	548,644	798,881
Less: long-term payables and advances				
— Advance received for resumption of land	—	(36,074)	—	(36,074)
— Others	(3,537)	(2,230)	(386)	—
	(3,537)	(38,304)	(386)	(36,074)
Current portion	1,132,889	1,972,702	548,258	762,807

- (a) The balance due to parent company as at 31 December 2014 mainly includes an unpaid consideration of RMB339,583,000 for acquiring 6.55% equity interests of Xiamen Terminal Group (2013: RMB459,583,000), and an amount of RMB19,331,000 for the pre-acquisition profit attributable to the parent company relating to the business contributed by the parent company to the Xiamen Terminal Group pursuant to the JV Agreement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. Other payables and accruals (continued)

(b) The balance of other payables as at 31 December 2014 mainly includes:

- (i) an amount of RMB75,296,000 due to Xiamen ITG and Xiangyu Logistics for the pre-acquisition profit for the business contributed by Xiamen ITG and Xiangyu Logistics to Xiamen Terminal Group pursuant to the JV Agreement.

As at 31 December 2014, the payables due to parent company, subsidiaries, fellow subsidiaries, associate and other related parties is unsecured, free of interest and without fixed repayment term.

The carrying amount of other payables of the Group and the Company approximates the same as their fair value.

22. Deferred government grants and income

	Group	
	2014 RMB'000	2013 RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	14,150	18,130
Government grants on purchases of property, plant and equipment (b)	145,321	96,489
	159,471	114,619

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

Notes to the Consolidated Financial Statements

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22. Deferred government grants and income (continued)

- (b) The Group 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 rights and intangible asset, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

23. Borrowings

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current				
Long-term bank borrowings	893,962	1,015,837	313,821	182,325
Current				
Short-term bank borrowings	545,391	583,555	155,706	40,000
Long-term bank borrowings — current portion	680,021	336,533	134,227	318,773
Debentured other loans (c)	300,000	—	—	—
	1,525,412	920,088	289,933	358,773
Total borrowings	2,419,374	1,935,925	603,754	541,098
Representing:				
— guaranteed (a)	196,048	278,051	420,706	240,050
— secured/pledged (b)	206,793	378,839	—	261,048
— unsecured	2,016,533	1,279,035	183,048	40,000
Total borrowings	2,419,374	1,935,925	603,754	541,098
Analysed as follows:				
— wholly repayable within five years	2,341,258	1,735,078	585,638	515,558
— not wholly repayable within five years	78,116	200,847	18,116	25,540
Total borrowings	2,419,374	1,935,925	603,754	541,098

Notes to the Consolidated Financial Statements

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23. Borrowings (continued)

- (a) As at 31 December 2014, a bank borrowing of RMB132,500,000 (2013: RMB185,500,000) is guaranteed by XPHG; a bank borrowing of RMB50,548,000 (2013: RMB54,550,000) is guaranteed by CCB; and a bank borrowing of RMB13,000,000 (2013: RMB13,000,000) is guaranteed by Xiamen Suntory Container Logistics Co Ltd. A bank borrowing of RMB25,000,000 guaranteed by XPD in 2013 was repaid in 2014.
- (b) As at 31 December 2014, a bank borrowing of RMB5,722,000 (2013: RMB30,450,000) is secured by letters of credit, a bank borrowing of USD22,860,000 (approximately equivalent to RMB140,102,000) (2013: RMB87,342,000) is secured by bank deposits of USD24,000,000 (approximately equivalent to RMB146,856,000) (2013: USD14,326,000, approximately equivalent to RMB87,344,000), a bank borrowing of USD10,000,000 (approximately equivalent to RMB60,969,000) (2013: USD41,000,000, approximately equivalent to RMB261,047,000) is secured by bank deposits of RMB66,000,000 (2013: RMB260,000,000).
- (c) On 11 September 2014, XPD issued the first tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB300 million at a fixed interest rate of 5.26% per annum (the “First Tranche Short-Term Notes”) to certain domestic institutional investors in the PRC.

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank borrowings repayable:				
— within 1 year	1,525,412	920,088	289,933	358,773
— between 1 and 2 years	396,305	693,989	210,845	58,210
— between 2 and 5 years	419,541	121,001	84,860	98,575
— over 5 years	78,116	200,847	18,116	25,540
	2,419,374	1,935,925	603,754	541,098

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23. Borrowings (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB	1,991,113	1,399,899	553,206	225,500
USD	428,261	536,026	50,548	315,598
Total borrowings	2,419,374	1,935,925	603,754	541,098

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

	Group		Company	
	2014	2013	2014	2013
Bank borrowings				
— RMB	5.63%	5.80%	4.70%	6.28%
— USD	3.62%	3.30%	5.96%	3.79%

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.

Notes to the Consolidated Financial Statements

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23. Borrowings (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Carrying amounts	893,962	1,015,837	313,821	182,325
Fair values	882,081	1,000,484	308,129	180,419

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, and are within level 2 of the fair value hierarchy.

24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2014 and 2013	1,739,500	986,700	2,726,200

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

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



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24. Share capital (continued)

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 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 2014, there was no movement in the share capital of the Company (2013: Nil).

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25. Reserves

(a) Group

	Note	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
		Capital surplus RMB'000 (ii)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
Balance at 1 January 2013		476,524	164,486	26,519	667,529	1,736,700	2,404,229
Fair value losses on							
available-for-sale financial assets		—	—	(5,479)	(5,479)	—	(5,479)
— Gross		—	—	(7,306)	(7,306)	—	(7,306)
— Related deferred income tax		—	—	1,827	1,827	—	1,827
Establishment of Xiamen							
Terminal Group	(iii)	(772,292)	—	—	(772,292)	—	(772,292)
Profit for the year		—	—	—	—	332,789	332,789
2012 final dividends		—	—	—	—	(149,941)	(149,941)
Profit appropriation	(i)	—	112,296	—	112,296	(112,296)	—
Balance at 31 December 2013		(295,768)	276,782	21,040	2,054	1,807,252	1,809,306
Representing:							
— 2013 proposed final dividends		—	—	—	—	149,941	149,941
— Others		(295,768)	276,782	21,040	2,054	1,657,311	1,659,365
		(295,768)	276,782	21,040	2,054	1,807,252	1,809,306
Fair value gain on							
available-for-sale							
financial assets		—	—	17,030	17,030	—	17,030
— Gross		—	—	22,707	22,707	—	22,707
— Related deferred income tax		—	—	(5,677)	(5,677)	—	(5,677)
Profit for the year		—	—	—	—	429,911	429,911
2013 final dividends		—	—	—	—	(149,941)	(149,941)
Profit appropriation	(i)	—	5,015	—	5,015	(5,015)	—
Others (Note 42)		—	—	(33,741)	(33,741)	—	(33,741)
Balance at 31 December 2014		(295,768)	281,797	4,329	(9,642)	2,082,207	2,072,565
Representing:							
— 2014 proposed final dividends		—	—	—	—	163,572	163,572
— Others		(295,768)	281,797	4,329	(9,642)	1,918,635	1,908,993
		(295,768)	281,797	4,329	(9,642)	2,082,207	2,072,565



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. 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 opening balance as at 1 January 2013 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.
- (iii) On 13 December 2013, the Company, together with other parties, established a new subsidiary, Xiamen Terminal Group, in which the Company effectively holds 59.75% equity interests (Note 42).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. Reserves (continued)

(b) Company

	Note	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
		Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
Balance at 1 January 2013		(61,484)	164,516	26,519	129,551	956,874	1,086,425
Fair value losses on							
available-for-sale financial assets		—	—	(5,479)	(5,479)	—	(5,479)
— Gross		—	—	(7,306)	(7,306)	—	(7,306)
— Related deferred income tax		—	—	1,827	1,827	—	1,827
Profit for the year	32	—	—	—	—	1,375,697	1,375,697
2012 final dividends		—	—	—	—	(149,941)	(149,941)
Profit appropriation	25(a)(i)	—	112,296	—	112,296	(112,296)	—
Balance at 31 December 2013		(61,484)	276,812	21,040	236,368	2,070,334	2,306,702
Representing							
— 2013 proposed final dividends		—	—	—	—	149,941	149,941
— Others		(61,484)	276,812	21,040	236,368	1,920,393	2,156,761
		(61,484)	276,812	21,040	236,368	2,070,334	2,306,702
Fair value gain on							
available-for-sale financial assets		—	—	17,030	17,030	—	17,030
— Gross		—	—	22,707	22,707	—	22,707
— Related deferred income tax		—	—	(5,677)	(5,677)	—	(5,677)
Profit for the year	32	—	—	—	—	49,761	49,761
2013 final dividends		—	—	—	—	(149,941)	(149,941)
Profit appropriation	25(a)(i)	—	5,015	—	5,015	(5,015)	—
Balance at 31 December 2014		(61,484)	281,827	38,070	258,413	1,965,139	2,223,552
Representing:							
— 2014 proposed final dividends		—	—	—	—	163,572	163,572
— Others		(61,484)	281,827	38,070	258,413	1,801,567	2,059,980
		(61,484)	281,827	38,070	258,413	1,965,139	2,223,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. Revenues and segment information

(a) Revenues and other income

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

	2014 RMB'000	2013 RMB'000
Revenues	6,092,000	4,678,421
Other income		
Government subsidies	46,527	76,243
Dividend income	2,701	1,032
Rental income	39,462	41,520
Others	19,528	8,391
	108,218	127,186
Total	6,200,218	4,805,607

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. 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 2014 and 2013 are as follows:

	For the year ended 31 December 2014					
	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Trading business of merchandise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenues	1,262,003	181,330	1,264,469	369,388	3,202,585	6,279,775
Inter-segment revenues	—	—	(187,775)	—	—	(187,775)
Revenues	1,262,003	181,330	1,076,694	369,388	3,202,585	6,092,000
Operating profit	454,658	323,380	190,930	39,702	18,300	1,026,970
Finance income						59,025
Finance costs						(127,124)
						958,871
Shares of profits less losses of joint ventures	17,286	—	(11,605)	—	—	5,681
Share of profits less losses of associates	571	—	1,742	1,070	—	3,383
Profit before income tax expense						967,935
Income tax expense						(226,786)
Profit for the year						741,149
Other information						
Depreciation	205,806	16,853	67,963	5,025	5,246	300,893
Amortisation	60,463	1,109	186	5,093	2,891	69,742
Net provision for/(reversal of) impairment of						
— inventories	48	3,660	(1)	143	6,069	9,919
— receivables and advances to suppliers	346	162	884	(1,943)	4,171	3,620
— property, plant and equipment	—	—	—	(45)	—	(45)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. 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 2014 and 2013 are as follows (continued):

	For the year ended 31 December 2013					
	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Trading business of merchandise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenues	986,819	172,672	1,086,916	313,889	2,322,900	4,883,196
Inter-segment revenues	—	—	(204,775)	—	—	(204,775)
Revenues	986,819	172,672	882,141	313,889	2,322,900	4,678,421
Operating profit	195,535	208,060	212,061	39,157	29,170	683,983
Finance income						50,048
Finance costs						(82,740)
						651,291
Shares of profits less losses of joint ventures	20,300	—	(3,345)	—	—	16,955
Share of profits less losses of associates	—	—	2,845	340	—	3,185
Profit before income tax expense						671,431
Income tax expense						(151,235)
Profit for the year						520,196
Other information						
Depreciation	166,126	28,541	52,515	4,333	4,446	255,961
Amortisation	30,655	2,837	2,637	35	4,061	40,225
Net provision for/(reversal of) impairment of						
— inventories	(222)	—	123	—	5,392	5,293
— receivables and advances to suppliers	2,453	(1,987)	(14)	(6,965)	562	(5,951)
— property, plant and equipment	—	—	—	5,999	—	5,999

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment information provided to management for the reportable segments as at 31 December 2014 and 31 December 2013 is as follows:

	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Trading business of merchandise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014						
Segment assets	9,385,130	235,283	2,440,528	237,863	1,374,374	13,673,178
Include:						
Interest in joint ventures	1,096,123	—	50,344	—	—	1,146,467
Interests in associates	14,453	—	22,104	4,703	—	41,260
Additions to non-current assets	564,760	2,385	249,769	7,657	1,679	826,250
Segment liabilities	951,697	46,316	410,754	94,927	636,722	2,140,416
As at 31 December 2013						
Segment assets	9,616,446	346,800	2,215,058	231,859	802,352	13,212,515
Include:						
Interest in joint ventures	1,077,913	—	45,142	—	—	1,123,055
Interests in associates	14,703	—	21,540	3,632	—	39,875
Additions to non-current assets	2,520,102	112,401	255,463	10,288	672	2,898,926
Segment liabilities	1,922,154	24,772	362,123	101,677	349,113	2,759,839

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. Revenues and segment information (continued)

(b) Segment information (continued)

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

	2014 RMB'000	2013 RMB'000
Total segment assets	13,673,178	13,212,515
Add: Deferred income tax assets	256,401	272,114
Available-for-sale financial assets	145,550	50,643
Total assets per consolidated balance sheet	14,075,129	13,535,272

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

	2014 RMB'000	2013 RMB'000
Total segment liabilities	2,140,416	2,759,839
Add: Deferred income tax liabilities	332,332	298,642
Taxes payable	79,767	43,957
Borrowings	2,419,374	1,935,925
Total liabilities per consolidated balance sheet	4,971,889	5,038,363

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27. Other gains — net

	2014 RMB'000	2013 RMB'000
Gain on disposal of property, plant and equipment and land use rights (a)	397,828	177,138
Fair value gain on derivative financial instrument	—	1,225
Others	(201)	—
	397,627	178,363

- (a) The Company, together with its subsidiaries, XPD, Xiamen Port Power Supply Service Co., Ltd. and Xiamen Port Domestic Shipping Agent Co., Ltd. entered into agreements (“Land Resumption Agreements”) with 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 for the Land and Assets Resumption amounts to RMB1,086,614,353, which will be paid by Xiamen Land Development Centre by instalments.

In the year ended 31 December 2014, the Company and XPD surrendered certain land and assets located on Dongdu Ferry Berth and Berth No.1–4 amounted to RMB159,873,000. Disposal gain of RMB398,023,000 (including a compensation for early relocation) was recorded in the consolidated income statement. All compensation attributable to those surrendered assets have been collected, except that a remaining compensation of RMB107,325,000 has been recorded as other receivables.

Notes to the Consolidated Financial Statements

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28. Employee benefit expenses

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	558,170	478,483
Welfare, medical and other expenses	65,100	58,865
Contributions to pension plans	98,489	88,620
Contributions to supplementary pension scheme	12,033	7,734
	733,792	633,702

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 15.9% to 24.1% (2013: 16.7% to 35%) 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. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. Expenses by nature

	2014 RMB'000	2013 RMB'000
Cost of inventories sold/consumed (Note 14)	3,594,757	2,680,844
Employee benefit expenses (Note 28)	733,792	633,702
Depreciation of		
— investment properties (Note 5)	5,258	3,769
— property, plant and equipment (Note 6)	295,635	252,192
Distribution, transportation and labour outsourcing	578,391	345,359
Business tax, stamp duty and real estate tax	38,621	40,635
Advertising and marketing expenses	28,087	29,983
Amortisation of		
— land use rights (Note 7)	56,220	34,217
— intangible assets (Note 8)	13,522	6,008
Operating lease rental in respect of property, plant and equipment	100,891	119,240
General office expenses	23,124	25,208
Repairs and maintenance	43,230	43,446
Insurance expenses	20,228	17,972
Auditors' remuneration	4,525	5,350
Net provision for/(reversal of) impairment of		
— inventories	9,919	5,293
— receivables and advances to suppliers	3,620	(5,951)
— property, plant and equipment	(45)	5,999
Others	21,100	56,721
Total cost of sales, selling and marketing expenses and general and administrative expenses	5,570,875	4,299,987

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30. Finance income and costs

	2014 RMB'000	2013 RMB'000
Interest income	58,698	47,863
Net foreign exchange gain	327	2,185
	59,025	50,048
Interests on bank borrowings	(137,799)	(85,447)
Less: amounts capitalised	10,675	2,707
	(127,124)	(82,740)
Finance costs — net	(68,099)	(32,692)

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 2014 was 6.59% (2013: 6.15%) per annum.

31. 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 2014 (2013: 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 third year in which the Company enjoys the corporate income tax reduction by 50%, therefore the applicable income tax rate for the Company is 12.5% for the year ended 31 December 2014 (2013: 12.5%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. Taxation (continued)

(a) Income tax expense (continued)

Approved by Xiamen Guo Shui Zhi Han [2008] No.1 issued by State Administration of Taxation Xiamen Branch, Xiamen Songyu Container Terminal Co., Ltd (“Songyu Terminal”) 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 2008. The income tax rate for the year ended 31 December 2014 is 12.5% (2013: 12.5%).

Trend Wood Investments Limited (“Trend Wood”) is incorporated in Hong Kong, thus its applicable income tax rate is 16.5%.

Except for Songyu Terminal and Trend Wood, other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2014 (2013: 25%).

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

	2014 RMB'000	2013 RMB'000
PRC corporate income tax	183,060	102,605
Deferred income tax charge (Note 13)	43,726	48,630
	226,786	151,235

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. 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:

	2014 RMB'000	2013 RMB'000
Profit before income tax expense	967,935	671,431
Less: share of profits less losses of joint ventures	(5,681)	(16,955)
Less: share of profits less losses of associates	(3,383)	(3,185)
	958,871	651,291
Tax calculated at the applicable tax rate of 25% (2013: 25%)	239,718	162,823
Effect of preferential tax rate of:		
— the Company	(2,384)	(14,153)
— Songyu Terminal	(9,946)	(2,528)
— China Ocean Shipping Agency Xiamen Co., Ltd.	—	(7,609)
Income not subject to income tax	(676)	(2,764)
Expenses not deductible for income tax purposes	1,104	6,112
Tax losses which no deferred tax assets were recognised	811	1,322
Others	(1,841)	8,032
Income tax expense	226,786	151,235

32. Profit attributable to owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2014 are dealt with in the financial statements of the Company to the extent of RMB49,761,000 (2013: RMB1,375,697,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

33. Dividends

	2014 RMB'000	2013 RMB'000
Proposed final dividends		
— Domestic share	104,370	95,673
— H-share	59,202	54,268
	163,572	149,941

The dividends declared in 2014 and 2013 were RMB149,941,000 (RMB5.5 cents per share) and RMB RMB149,941,000 (RMB5.5 cents per share) respectively.

At a meeting held on 27 March 2015, the directors of the Company proposed a final dividend of RMB6 cents per share (tax inclusive) for the year ended 31 December 2014. 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 12 June 2015, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

34. 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 2014 of RMB429,911,000 (2013: RMB332,789,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2013: 2,726,200,000) shares.

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

35. Emoluments of directors and supervisors

	2014 RMB'000	2013 RMB'000
Directors and supervisors		
Emoluments	1,772	1,320
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,265	2,018
Contributions to pension plans	376	461
Discretionary bonuses	2,130	2,605
	5,543	6,404

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

Notes to the Consolidated Financial Statements

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35. Emoluments of directors and supervisors (continued)

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

Year ended 31 December 2014

Name (*)	Basic salaries, housing allowances, other allowances and benefits-		Contributions to pension plans	Discretionary bonuses	Total
	Emoluments RMB'000	in-kind RMB'000			
Executive Directors:					
Lin Kaibiao	—	273	69	448	790
Huang Zirong	—	296	69	415	780
Fang Yao	—	296	69	361	726
Ke Dong	—	256	34	—	290
Non-executive Directors:					
Fu Chengjing	103	—	—	—	103
Zheng Yongen	103	—	—	—	103
Chen Dingyu	103	—	—	—	103
Miao Luping	88	42	11	404	545
Independent Non-executive Directors:					
Hui Wangchuen	218	—	—	—	218
Liu Feng	103	—	—	—	103
Lin Pengjiu	103	—	—	—	103
Huang Shumeng	103	—	—	—	103
Shao Zheping	88	—	—	—	88
Supervisors:					
Wu Weijian	321	52	63	271	707
Liao Guosheng	199	50	61	231	541
Tang Jinmu	65	—	—	—	65
Xiao Zuoping	65	—	—	—	65
Zhang Guixian	55	—	—	—	55
Yu Mingfeng	55	—	—	—	55
	1,772	1,265	376	2,130	5,543

* Directors and supervisors are listed by their positions as at 31 December 2014.

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35. Emoluments of directors and supervisors (continued)

Year ended 31 December 2013

Name (*)	Emoluments 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	—	270	59	382	711
Miao Luping	—	247	59	344	650
Fang Yao	—	290	59	320	669
Huang Zirong	—	290	59	333	682
Hong Lijuan	—	266	56	298	620
Non-executive Directors:					
Zheng Yongen	95	—	—	—	95
Chen Dingyu	95	—	—	—	95
Fu Chengjing	95	—	—	—	95
Ke Dong	95	250	61	418	824
Independent Non-executive Directors:					
Xu Hongquan	200	—	—	—	200
Zhen Hong	95	—	—	—	95
Liu Feng	95	—	—	—	95
Lin Pengjiu	95	—	—	—	95
Huang Shumeng	95	—	—	—	95
Supervisors:					
Yan Tengyun	60	—	—	—	60
Luo Jianzhong	60	—	—	—	60
Wu Jianliang	60	145	52	188	445
Wu Weijian	60	260	56	322	698
Tang Jinmu	60	—	—	—	60
Xiao zuoping	60	—	—	—	60
	1,320	2,018	461	2,605	6,404

* Directors and supervisors are listed by their positions as at 31 December 2013.

Notes to the Consolidated Financial Statements

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35. Emoluments of directors and supervisors (continued)

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

The five individuals whose emoluments were the highest in the Group for the year include three (2013: three) directors and one supervisor (2013: One) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual (the "Individual") during the year are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	273	333
Contributions to pension plans	69	60
Discretionary bonuses	448	378
	790	771

The emoluments of the Individual fall within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
Nil to HKD1,000,000 (equivalent to RMB788,900)	1	1

Notes to the Consolidated Financial Statements

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36. Notes to consolidated statement of cash flows

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

	2014 RMB'000	2013 RMB'000
Profit before income tax expense	967,935	671,431
Adjustments for:		
— Share of profits less losses of associates	(3,383)	(3,185)
— Share of profits less losses of joint ventures	(5,681)	(16,955)
— Depreciation of property, plant and equipment	295,635	252,192
— Depreciation of investment properties	5,258	3,769
— Amortisation of land use rights	56,220	34,217
— Amortisation of intangible assets	13,522	6,008
— Gain on disposal of property, plant and equipment and land use rights	(397,828)	(177,138)
— Fair value gain on derivative financial instrument	—	(1,225)
— (Reversal of)/provision for impairment of property, plant and equipment	(45)	5,999
— Provision for impairment of inventories	9,919	5,293
— Provision for/(reversal of) impairment of receivables	3,620	(5,951)
— Dividend income	(2,701)	(1,032)
— Interest income	(58,698)	(47,863)
— Interest expenses	127,124	82,740
— Unrealised foreign exchange gain	135	(4,765)
	1,011,032	803,535
Changes in working capital:		
— Accounts and notes receivable	(316,830)	(5,176)
— Other receivables and prepayments	(89,908)	(70,868)
— Inventories	(94,395)	(137,370)
— Accounts and notes payable	210,465	(133,870)
— Other payables and accruals	110,069	214,330
Net cash generated from operations	830,433	670,581

For the year ended 31 December 2014, there are no other significant non-cash transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. 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	
	2014 RMB'000	2013 RMB'000
Purchases of property, plant and equipment	945,025	557,750

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

	Company	
	2014 RMB'000	2013 RMB'000
Purchases of property, plant and equipment	8,846	58,172

Committed capital expenditure as at 31 December 2014 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, acquisitions of vessels, renovation of buildings and acquisition of land use rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. Commitments (continued)

(b) Operating lease commitments

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

(i) The Group

	Group	
	2014 RMB'000	2013 RMB'000
Not later than 1 year	81,195	67,732
Later than 1 year and not later than 5 years	159,602	147,456
Later than 5 years	68,350	170,242
	309,147	385,430

(ii) The Company

	The Company	
	2014 RMB'000	2013 RMB'000
Not later than 1 year	3,931	—
Later than 1 year and not later than 5 years	9,483	—
	13,414	—

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

	Group	
	2014 RMB'000	2013 RMB'000
Not later than 1 year	24,113	15,551
Later than 1 year and not later than 5 years	32,620	5,877
Later than 5 years	15,189	16,400
	71,922	37,828



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. Commitments (continued)

(c) Commitment for deposit of BT project

As at 31 December 2014, the total investment commitment for BT project is estimated to be approximately RMB116,964,000. Details are set out in Note 16(c).

38. Contingent liabilities

As at 31 December 2014, the Group and the Company have no significant contingent liabilities (2013: Nil).

39. Significant related party transactions

The Company is controlled by XPHG, 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 2014 and balances arising from these significant related party transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. Significant related party transactions (continued)

- (a) During the year, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties:

	Note	2014 RMB'000	2013 RMB'000
Transactions with parent company			
Revenue			
Power supply and maintenance and electrical equipment maintenance	(i)	20,138	27,859
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	29,380	43,293
Logistics property services and information services	(i)	—	15,453
Acquire the berths for small vessels and the related ancillary assets in the first phase of Songyu port area	(i)	—	52,045
Transactions with fellow subsidiaries			
Revenue			
Port services	(i)	18,777	18,848
Trading sales	(i)	—	86,280
Transportation service	(i)	4,292	—
Tally Service	(i)	2,370	—
Expenses			
Office and property management	(i)	10,602	—
Operating lease rental in respect of land, port facilities and office premises	(i)	6,304	6,546
Comprehensive service fee	(i)	25,716	26,450
Labour service fee	(i)	32,850	31,210
Information Services	(i)	5,501	—
Project Management Services	(i)	18,388	—
Others			
Purchases of property, plant and equipment	(i)	7,015	11,190
Transactions with associate			
Revenues			
Loading and unloading services rendered	(i)	—	16,335

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. Significant related party transactions (continued)

(a) (continued):

	Note	2014 RMB'000	2013 RMB'000
Transactions with associate (continued)			
Expenses			
Labour service fee	(i)	—	51,740
Operating lease rental in respect of land, port facilities and office premises	(i)	—	9,943
Transaction with joint ventures			
Revenues			
Power supply and maintenance and electrical equipment maintenance	(i)	8,485	—
Transportation	(i)	26,245	—
Operating lease rental in respect of land, port facilities and office premises	(i)	9,594	—
Loading and unloading services rendered	(i)	28,640	23,654
Inspection service	(i)	5,930	—
Tally service	(i)	1,042	—
Expenses			
Project management	(i)	40,860	2,080
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(i)	38,990	46,284
Expenses			
Purchases of commercial goods	(i)	10,630	—

(i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. Significant related party transactions (continued)

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

	Note	2014 RMB'000	2013 RMB'000
Balances with parent company			
Other receivables and prepayments	(i)	12,931	622
Accounts payable	(i)	29,257	61,815
Other payables and accruals		359,149	725,884
Balances with fellow subsidiaries			
Accounts receivable	(i)	13,647	2,376
Other receivables and prepayments	(i)	5,984	10,138
Accounts payable	(i)	10,635	7,013
Other payables and accruals	(i)	49,829	15,421
Balances with joint ventures			
Accounts receivable	(i)	28,477	13,674
Other receivables and prepayments	(i)	150,038	12,472
Accounts payable	(i)	19,583	1,450
Balances with associates			
Other payables and accruals	(i)	5,666	—
Other receivables and prepayments	(ii)	146	—
Balances with non-controlling shareholders of subsidiaries			
Dividends payable	(i)	4,074	2,606
Balances with other related parties			
Accounts receivable	(ii)	400	752
Other payables and accruals	(iii)	8,583	17,792

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. Significant related party transactions (continued)

(b) (continued):

- (i) As of 31 December 2014, except for an entrusted loan amounted of RMB60,000,000 to a joint venture (Note 16(f)), the remaining balances with the parent company, associates, fellow subsidiaries, joint ventures 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 2014, 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 2014, 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:**

	2014 RMB'000	2013 RMB'000
Emoluments	1,772	1,320
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,265	2,018
Contributions to pension plans	376	461
Discretionary bonuses	2,130	2,605
	5,543	6,404

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

40. Particulars of subsidiaries, joint ventures and associates

(a) Subsidiaries

As at 31 December 2014, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2014 (RMB'000)	2013	2014		2013		
				Directly held	Indirectly held	Directly held	Indirectly held	
Listed								
XPD	Joint stock limited company	531,000	531,000	55.13%	—	55.13%	—	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency") [†]	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	135,000	135,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	—	55.26%	—	55.26%	Container deposit, land transport, international freight agency
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	100%	—	100%	—	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	70,000	70,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2014 (RMB'000)	2013	2014		2013		
				Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted (continued)								
Xiamen Penavico International Freight and Forwarding Co., Ltd. [#]	Limited liability company	12,000	12,000	—	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	5,000	5,000	—	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	8,000	8,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	—	55.25%	—	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	—	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2014 (RMB'000)	2013	2014		2013		
				Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted (continued)								
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. ("Haicang Container Inspection")†	Limited liability company	1,000	1,000	—	44.81%	—	44.81%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Port Development Co., Ltd.‡ (Changed from "Samming Lugang Logistics Co., Ltd.")	Limited liability company	135,000	135,000	—	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	10,000	—	44.10%	—	44.10%	National and international freight agency, cargo storage, deposit and packing services
Sanming Port Construction Co., Ltd. †	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	Construction and operation of the relevant projects of Sanming land-based port
Ji'an Lugang Logistics Co., Ltd.	Limited liability company	70,000	70,000	—	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	15,000	100.00%	—	100.00%	—	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd.‡	Limited liability company	100,000	30,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	—	55.13%	—	55.13%	Road construction, port supporting services, investment and development

Notes to the Consolidated Financial Statements

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40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2014 (RMB'000)	2013	2014		2013		
				Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted (continued)								
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	160,000	—	55.13%	—	55.13%	Terminal construction and development
Chaozhou Port Development Co., Ltd.*	Limited liability company	144,000	10,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd.*	Limited liability company	8,000	8,000	—	38.59%	—	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd.**	Limited liability company	1,500	1,500	—	44.10%	—	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.*	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	Trading
Xiamen Agency Cruise Agency Co., Ltd.**	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Belt tightening pulley agency services for domestic trade
Zhangzhou City Longchi Port Development Co., Ltd.**	Limited liability company	20,000	20,000	—	30.32%	—	30.32%	Port supporting services, investment and development
Xiamen Terminal Group*	Limited liability company	2,436,604	2,436,604	59.45%	0.3%	59.45%	0.3%	Container loading and unloading services
Zhangzhou City Gulei Tugboat Co., Ltd.*	Limited liability company	50,000	25,378	—	64.7%	—	64.7%	Port logistics
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal") [†]	Limited liability company	1,680,000	1,680,000	—	44.81%	—	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd. [‡] ("Hainan Xiagang")	Limited liability company	72,000	—	—	49.62%	—	—	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics") [§] ("Ji'an Port Logistics")	Limited liability company	10,000	—	—	55.13%	—	—	national and domestic merchandise agency, keeping and warehousing service
Xiamen Port Jixing Transportation Co., Ltd. ("Jixing Transportation") [¶] ("Xiamen Port Jixing")	Limited liability company	9,500	—	—	28.14%	—	—	Container transport

Notes to the Consolidated Financial Statements

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40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2014	2013	2014		2013		
				Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted and incorporated in Hong Kong								
Trend Wood Investments Limited ("Trend Wood")	Limited liability company	HKD1	HKD1	—	59.75%	—	59.75%	Investment holding
Xiamen Ocean Shipping Agency (Hongkong) Limited ("Hong Kong Ocean Shipping Agency") [#] &	Limited liability company	HKD 1,000,000	HKD 1,000,000	—	33.08%	—	—	Shipping agency services for international vessels

[#] 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 2013.

[&] Established during the year ended 31 December 2014.

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40. Particulars of subsidiaries, joint ventures and associates (continued)

(b) Joint ventures

As at 31 December 2014, the Group had interests in the following joint ventures:

Name	Paid-in capital		Proportion of ownership held by the Group and profit sharing		Proportion of voting rights held by the Group		Principal activities
	2014	2013	2014	2013	2014	2013	
	(RMB'000)						
Xiamen International Container Terminals Ltd. ("XICT")	1,148,700	1,148,700	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Haicang International Container Terminals Ltd. ("XHICT")	555,515	555,515	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH")	120,650	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. ("XPC")	5,000	5,000	51%	51%	60%	60%	Container loading and unloading for international trade
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. ("XinHaiDa")	756,000	756,000	46%	46%	46%	46%	Terminal operation and rendering of relevant port services
Fuzhou Mawei Shipping Co., Ltd. ("FMS")	9,000	9,000	51%	51%	51%	51%	Container liner shipping

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

40. Particulars of subsidiaries, joint ventures and associates (continued)

(c) Associates

As at 31 December 2014, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests		Principal activities
		2014	2013	2014	2013	
(RMB'000)						
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	35.7%	35.7%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Sandeli Container Storage Co., Ltd.	Limited liability company	10,000	10,000	45%	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	1,500	1,500	40%	40%	Manufacturing, processing and selling of building materials

Except for Trend Wood is incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are incorporated in the PRC.

The operations of all subsidiaries except for Trend Wood, joint ventures and associates are principally carried out in the PRC.

Except for XPD which is a listed company in the PRC, all subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures 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.



Notes to the Consolidated Financial Statements

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41. Subsequent events

On 9 February 2015, the Board has resolved to approve the proposed application to the National Association of Financial Market Institutional Investors for the registration of the issue of the Short-Term Notes in the PRC of an aggregate maximum principal amount of RMB2,500,000,000 on a rolling basis for a period of two years from the completion of the registration at the National Association of Financial Market Institutional.

42. Establishment of Xiamen Terminal Group in 2013

(a) Establishment of Xiamen Terminal Group and related transactions

The Company, XPHG, XPL, New World (Xiamen) Port Investment Limited (“NWXP”), Xiangyu Logistics, Xiamen ITG and Pointer Investment (Hong Kong) Limited (“Pointer Investment”) (collectively, the “JV Parties”), Haitian Terminal, XMHCP, ITG Terminal and NWCY Terminal (collectively, the “Merged Companies”) and NWS Ports Management (Haicang) Limited (“NWSHC”) signed a conditional merger and contribution agreement on 25 February 2013 (the “JV Agreement”) and signed a supplemental agreement on 23 October 2013, for the establishment of a new limited liability company in the PRC by the JV parties, to integrate the assets and businesses of the related container terminals in Xiamen port strategically.

Pursuant to the JV Agreement and approvals of relevant governmental authorities, Xiamen Terminal Group was established on 13 December 2013, with a registered capital of RMB2,436,604,000 and total investment amount of RMB7,309,813,000. All contributions injected into Xiamen Terminal Group were made by the JV Parties as explained in (1)–(3) below, followed with certain further acquisitions as explained in (4)–(6) below (collectively the “Transactions”).

(1) Injections of the Merged Companies

- The Company and XPL injected 85% and 15% equity interests of Haitian Terminal (including Haitian Terminal’s 75% equity interests in its subsidiary, Haicang Container Inspection) into Xiamen Terminal Group, respectively, as capital contributions, and Haitian Terminal was then merged into Xiamen Terminal Group upon its establishment.
- The Company and Xiamen ITG injected 70% and 30% equity interests of XMHCP (including XMHCP’s 51% equity interests in a joint venture, XICT) into Xiamen Terminal Group, respectively, as capital contributions, and XMHCP was then merged into Xiamen Terminal Group upon its establishment.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. Establishment of Xiamen Terminal Group in 2013 (continued)

(a) Establishment of Xiamen Terminal Group and related transactions (continued)

(1) Injections of the Merged Companies (continued)

- Xiamen ITG and Pointer Investment injected 75% and 25% equity interests of ITG Terminal into Xiamen Terminal Group, respectively, as capital contributions, and ITG Terminal was then merged into Xiamen Terminal Group upon its establishment.
- NWXP and Xiangyu Logistics each injected 50% equity interests of NWXY Terminal into Xiamen Terminal Group, respectively, as capital contributions, and NWXY Terminal was then merged into Xiamen Terminal Group upon its establishment.

(2) Assets contribution

- XPHG injected the Berth No. 6 of Haicang Port and the 34.65% equity interests of Songyu Terminal into Xiamen Terminal Group as its capital contributions.
- The Company injected the Berth nos. 4–5 of Haicang Port and Berth nos. 5–11 of Dongdu Port, the 25% equity interests of Songyu Terminal, and 51% equity interests of XHICT into Xiamen Terminal Group as part of its respective capital contributions.

(3) Cash contribution

Pursuant to the JV agreement, NWXP should make a cash injection of RMB369,865,000 to Xiamen Terminal Group as its capital injection. Such cash contribution was recorded as other receivables as at 31 December 2013 and was subsequently received in January 2014.

Upon its establishment, Xiamen Terminal Group was directly owned as to 52.90% by the Company, 0.55% by XPL (a subsidiary of the Company), 14.79% by XPHG, 7.82% Xiamen ITG, 1.61% by Pointer Investment, 8.53% by Xiangyu Logistics and 13.80% by NWXP, respectively.



Notes to the Consolidated Financial Statements

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42. Establishment of Xiamen Terminal Group in 2013 (continued)

(a) Establishment of Xiamen Terminal Group and related transactions (continued)

(4) Further acquisition of 6.55% equity interests in Xiamen Terminal Group

Pursuant to the JV Agreement, on 13 December 2013, the Company further acquired 6.55% equity interests of Xiamen Terminal Group from XPHG at a consideration of RMB459,583,000. The consideration was not being paid as at 31 December 2013 and was recorded as other payables. After this acquisition, the Company owned 59.75% of Xiamen Terminal Group through its direct shareholding and indirect shareholding through XPL. In 2014, RMB120,000,000 of the consideration was paid to XPHG by the Company.

(5) Trend Wood acquisition

Pursuant to the JV Agreement, on 13 December 2013, Xiamen Terminal Group acquired 100% equity interests of Trend Wood for a total consideration of RMB369,865,000.

As an investment holding company, Trend Wood does not have any operations other than its long-term equity investment in XinHaiDa, as a result of that, this acquisition does not constitute business combination, instead, it mainly represents an acquisition of the 46% equity investment in XinHaiDa. The consideration has not been paid as at 31 December 2013 and was recorded as other payables and was paid in January 2014.

(6) Songyu acquisition

Pursuant to the JV Agreement, right after its establishment on 13 December 2013, Xiamen Terminal Group further acquired 15.35% equity interests in Songyu Terminal from XPHG (“Songyu Acquisition”) at a consideration of RMB264,310,000. The consideration has not been paid as at 31 December 2013 and was recorded as other payables and was subsequently paid in January 2014. After Songyu Acquisition, Songyu Terminal becomes a 75% subsidiary of Xiamen Terminal Group.



Notes to the Consolidated Financial Statements

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42. Establishment of Xiamen Terminal Group in 2013 (continued)

(b) Financial impact of the establishment of Xiamen Terminal Group

Upon completion of the Transactions, the Group disposed of partial interests in the businesses contributed by the Group to Xiamen Terminal Group, without loss of control over those contributed businesses, in exchange of controlling equity interests in the businesses/assets contributed by the other JV Parties to Xiamen Terminal Group. The effects of the Transactions to the consolidated financial statements are explained as follows:

(1) Business combination under common control

Because Songyu Terminal and the Berth no. 6 of Haicang Port are under common control of XPHG before and after the Transactions, the financial information of Songyu Terminal and the Berth no. 6 of Haicang Port are included in consolidated financial statements of the Company as if they had been combined from the date when they first came under the control of XPHG.

Upon completion of the Transactions in 2013, there is an effective dilution of XPHG's interests in Songyu Terminal and the Berth no. 6 of Haicang Port. Upon the completion of the Transactions, the Company effectively owns the Berth no. 6 of Haicang Port and Songyu Terminal as to 59.75% and 44.81% respectively. The difference between the considerations for the acquisition and the effective interests in the Berth no. 6 of Haicang Port and Songyu Terminal of RMB1,190,443,000 are debited in equity.

(2) Transaction with non-controlling interests

Upon completion of the Transactions in (a) above, the financial results of the following companies or businesses have been and continue to be consolidated into the Company's consolidated financial statements: (i) Haitian Terminal, (ii) XMHCP, (iii) Haicang Container Inspection and (iv) the Berth nos. 4–5 of Haicang Port, and Berth nos. 5–11 of Dongdu Port. The net assets and net profit attributable to the noncontrolling interests will be increased as a result of the Transactions, as there was an effective dilution of the Company's interests in the above mentioned entities or businesses. The gain on disposal amounted to RMB418,151,000 are credited recorded in equity.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. Establishment of Xiamen Terminal Group in 2013 (continued)

(b) Financial impact of the establishment of Xiamen Terminal Group (continued)

(3) Acquisitions under non-common control

The acquisitions of ITG Terminal and NWCY Terminal are business acquisitions under non-common control. Goodwill of RMB129,261,000 was recognised in the consolidated financial statement of the Group (Note 8).

The acquisition of Trend Wood is an acquisition of assets as Trend Wood does not have any business other than holding the equity investment in XinHaiDa.

(4) Pre-acquisition profits arrangement

Pursuant to the JV Agreement, the pre-acquisition profits of the Merged Companies and assets/business contributed to/acquired by Xiamen Terminal Group, as mentioned in (a)(1)–(6), should be attributable to the respective JV Parties based on the audited financial statements as prepared under Accounting Standards for Business Enterprises of the PRC. Upon the establishment of Xiamen Terminal Group, an estimation of the pre-acquisition profits has been taken into account for the Transaction. In 2014, the pre-acquisition profits were finally determined and agreed by the JV Parties by reference to the audited financial statements. Certain adjustments on the pre-acquisition profits attributable to XPHG were made as a result and were debited to equity in the consolidated financial statements of the Group in 2014.

43. Other matters

On 16 August 2014, Xiamen Port Domestic Shipping Agent Co., Ltd. and XPD were alleged for misdelivery of steel by Beijing New Building Material (Group) Co., Ltd., who claimed a loss compensation amounted to RMB51,976,100. Xiamen Port Domestic Shipping Agent Co., Ltd. has presented related evidence to Fujian Provincial Higher People's court, claiming that both the Xiamen Port Domestic Shipping Agent Co., Ltd. and XPD had fulfilled their obligation and should not take any legal responsibility. As at the date of this report, the lawsuit is still subject to the verdict of the Fujian Provincial Higher People's court.

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