

A wide range of ancillary value-added port services





Including provision of shipping agency, tallying, tugboat berthing and unberthing as well as port-related logistics services to shipping companies and cargo owners.

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The board of directors of the Company (the “Board”) recognises their mission of creating values and maximising returns to the Shareholders, while at the same time fulfilling their social responsibilities. To this end, we strive to promote and uphold the highest standard of corporate governance.

The Stock Exchange has issued a new Code on Corporate Governance Practices under Appendix 14 of the Listing Rules (the “Corporate Governance Code”) which came into effect in January 2005. The Company has put in place corporate governance practices to comply with all the code provisions under the Corporate Governance Code since its listing on the Stock Exchange on 19 December 2005.

Board of Directors

Accountable to the Shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies.

The Directors

Currently, the Board comprises twelve Directors, including the Chairman and the other four executive Directors, four non-executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out on pages 41 to 48 of this annual report. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group for the year under review.

Each of the executive, non-executive and independent non-executive Directors has entered into a service contract with the Company for a term of 3 years, commencing from 3 March 2005 for executive and non-executive Directors and from 23 March 2005 for independent non-executive Directors. Each party to the service contract may terminate it by giving notice in writing. Each Director will retire at the expiration of their respective contract term and are eligible for re-election.

The Company has received from each of the independent non-executive Directors confirmation of his or her independence as required under the Listing Rules in 2005. The Company is of the opinion that all independent non-executive Directors are independent.

Responsibilities of the Board

The Board reviews the performance of the operating divisions against their agreed targets and budgets on a regular basis and also exercises a number of reserved powers, including:

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

The Directors are responsible for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2005, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

To ensure a proper balance between power and authority, the roles of the Chairman and the General Manager are segregated. There is a clear distinction between the Chairman's responsibility for the management of the Board and the General Manager's responsibility for the management of the daily operations of the Group's business.

Other than their working relationships with the Company, none of the Directors, Supervisors or the senior management has any financial, business or family relationships or any relationships in other material aspects with each other.

Other than the service contract entered into by each of them, none of the Directors or the Supervisors has any personal and substantive interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during 2005.

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Board meetings

Board meetings are scheduled at least 14 days in advance to facilitate maximum attendance of the Directors. The meeting agenda is set in consultation with members of the Board. The Board held 10 meetings in 2005. The attendance of individual Directors at the Board meetings is set out below:

Member of the Board	Number of Board meetings attended in person/by proxy	Attendance rate
<i>Executive Directors</i>		
ZENG Yingguo	10/0	100%
CHEN Dingyu	10/0	100%
FANG Yao	10/0	100%
HUANG Zirong	10/0	100%
LIN Kaibiao	10/0	100%
<i>Non-Executive Directors</i>		
ZHENG Yongen	10/0	100%
FU Chengjing	10/0	100%
MIAO Luping	9/0	90%
KE Dong	10/0	100%
<i>Independent Non-Executive Directors^a</i>		
HUANG Shizhong	8/0	100%
ZHEN Hong	3/5 ^b	100%
HUI Wang Chuen	3/5 ^c	100%

Notes:

^a All independent non-executive Directors were appointed at the first Extraordinary General Meeting of the Company on 23 March 2005, hence they were not entitled to attend the first two Board meetings before their appointment.

^b Mr ZHEN Hong was present in three of the eight Board meetings, and the remaining five Board meetings were attended and voted on his behalf by other authorized independent non-executive Directors during his trip to the United States as a visiting scholar.

- ^c Mr HUI Wang Chuen was present in three of the eight Board meetings, and the remaining five Board meetings were attended and voted on his behalf by other authorized independent non-executive Directors during his business trips out of Xiamen.

Minutes of all Board meetings are recorded by a designated person of the Company, and all proposals and resolutions reviewed and approved in each meeting are filled properly in accordance with relevant laws, regulations and the Articles of Association of the Company.

Board Committees

In furtherance of good corporate governance, the Board has set up a number of committees, including:

- the Audit Committee;
- the Remuneration Committee; and
- the Business Strategy Committee

Each Committee would report regularly to the Board, by addressing major issues and findings with valuable recommendations for the decision making of the Board. The particulars of these Committees are set out hereunder.

Audit Committee

The Audit Committee proposes the retention, oversees the performance and approves the remuneration of the independent auditors and the review of financial information and oversight of the financial reporting system and internal control procedure. The Committee comprises two independent non-executive Directors, Huang Shizhong and Zhen Hong and one non-executive Director, Fu Chengjing. The chairman of the committee is Huang Shizong. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise in discharging their responsibilities as a member of the Audit Committee.

The terms of reference of the Audit Committee have been formulated and adopted in 2005 and complied with the code provisions of the Corporate Governance Code.

The Audit Committee did not convene any meeting in 2005 as the Company was not listed until 19 December 2005. However, all members of the Audit Committee have held their first meeting on 7 April 2006 to review, inter alia, the audited accounts of the Group of 2005, the internal and external audit findings, the accounting principles and practices adopted by the Group, the continuing non-

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exempt connected transactions, the re-appointment of auditors and the determination of audit fees. The members of the Audit Committee also discussed internal controls, risk management and financial reporting matters relating to interim and annual accounts through other means.

Remuneration Committee

The primary role of the Remuneration Committee is to regularly review human resource management policies, make recommendations on the compensation and benefit plans of Directors and senior executives, as well as setting performance goals for senior executives of the Group. The Remuneration Committee is chaired by HUI Wang Chueng, an independent non-executive Director and with two other members, Mr. ZHENG Yongen, a non-executive Director and Mr. HUANG Shizhong, an independent non-executive Directors. The terms of reference of the Remuneration Committee have been formulated and adopted in 2005 and complied with the code provisions of the Corporate Governance Code.

The Remuneration Committee met once in 2005 to review and approve the Directors' and senior executives' remuneration including granting of annual bonus, reviewing remuneration policy and setting key performance indicators for senior management. In discharge its functions, the Remuneration Committee has consulted and sought advice from chairmen, general managers and human resources directors of some other H share companies for reference.

The attendance of its members of the Remuneration Committee's meeting is set out as follows:

Member of the Remuneration Committee	Number of Committee meetings attended	Attendance rate
HUI Wang Chuen	1 out of 1	100%
ZHENG Yongen	1 out of 1	100%
HUANG Shizhong	1 out of 1	100%

Remuneration Policy for Directors

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to give incentives to executive Directors by pegging their compensation with their individual performance as measured against the corporate objectives and the Group's operating results and taking into accounts of the comparable market conditions. The principal elements of the remuneration package of executive Directors include basic salary and discretionary bonus.

The determination of the remuneration of non-executive Directors (in essence, director's fee) is a matter for the Board as a whole. The Company reimburses reasonable expenses incurred by these Directors in the course of discharging their duties as Directors.

The Remuneration Committee submits the remuneration plan to the Board. Such plan will be submitted to the general meeting of shareholders after being approved by the Board. When approved by the general meeting of shareholders, the plan shall be put into implementation. The emoluments paid to each Director of the Company for the year ended 31 December 2005 are set out in note 38 to the financial statements.

Business Strategy Committee

The Company's internal corporate governance rules are more stringent than the Corporate Governance Code by that the Company has also established a Business Strategy Committee with the major terms of reference as stated below.

The Business Strategy Committee is chaired by ZHEN Hong and other members are CHEN Dingyu and MIAO Luping. The Business Strategy Committee is responsible for the followings:

- Evaluating long-term strategic development plan
- Evaluating major investment and financing requiring Board approvals under the Articles
- Evaluating major capital and asset management requiring Board approval under the Articles
- Evaluating other major business which may affect the development of the Company
- Monitoring the implementation of the above activities
- Any other business authorised by the Board.

The Business Strategy Committee did not convene any meeting in 2005 as the Company was not listed until 19 December 2005. However, members of the Business Strategy Committee have been involved in the evaluation of the Company's development strategy and other business opportunities that may have impact on the further development of the Group's business.

Nomination Committee

No nomination committee exists in the Company.

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The Company appoints new directors in accordance with its Articles of Association. Generally, the candidates for directorship are proposed at general meetings of shareholders by the Board. Shareholders of the Company may nominate candidates according to the Articles of Association of the Company.

Written notice containing the intention to nominate a candidate and the candidate's expressed willingness to accept nomination shall be delivered to the Company not earlier than the day when the notice of the general meeting has been dispatched and not later than seven days prior to the convening of such meeting.

External Auditors

For the year ended 31 December 2005, total fee remuneration of the external auditors was amounted to RMB2.15 million, exclusively for audit fees which were approved by the Audit Committee.

The re-appointments of PricewaterhouseCoopers Zhong Tian Certified Public Accountants Ltd. Co. and PricewaterhouseCoopers, Certified Public Accountants, Hong Kong as the PRC and overseas auditors of the Company have been recommended and endorsed by the Board, subject to approvals by Shareholders at the forthcoming annual general meeting.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness through the Audit Committee. The Company's system of internal control plays a key role in the management of risks that are significant to the fulfilment of its business objectives. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The procedures have been designed to provide reasonable but not absolute assurance against material errors, losses or fraud and for compliance of applicable laws, rules and regulations.

The Board confirms that systems and procedures are in place within the Group to identify, control and report on significant risks involved in achieving the Group's strategic objectives. Exposures to these risks are monitored by the Board with the support of various committees and senior management. The Directors considered that the internal control system has covered all material internal controls, including financial, operational and compliance controls and risk management functions and complied with the code provisions on internal control of the Corporate Governance Code.

Further, the Directors are of the view that the Company's corporate governance would be further enhanced after the setting up of an internal audit function in 2006.

No material deficiency has been identified so far and there was no significant areas of concern which may affect shareholders.

With respect to procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is fully aware of its obligations under the Listing Rules and the overriding principle that price-sensitive information should be announced immediately if it is the subject of a decision. The Company's policy includes a strict prohibition on the an authorised use of confidential or insider information and has established and implemented procedures for responding to external enquiries about the Group's affairs. The General Manager and the Secretary of the Board are selected and authorised to act as the Company's spokespersons to respond to enquiries about the Group's affairs.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by its Directors. All Directors complied with their obligations under the Model Code regarding their securities transactions during the year.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company in 2005.

Shareholders' Rights

Under the Company's Articles of Association, any one or more Shareholders holding not less than 10 per cent of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard shareholders' rights, the Company adopts the policy of voting by poll for all resolutions put forward at any shareholders' meetings.

Shareholders may send their enquiries requiring the Board's attention to the Joint Company Secretaries at the Company's principal place of business in Xiamen, PRC or Hong Kong. Other general enquiries can be directed to the Company through our Investor Relations Manager, whose contact information is published on the Company's website.

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Investor Relations

The Company believes that effective communication with the investment community is essential for enhancing investors' knowledge and understanding of the Company's business performance and strategies. To achieve that, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose of the Company's investor relations policy, therefore, is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

In 2005, as part of the roadshow in connection with the global offering of the H Shares, the Secretary of the Board, Chief Financial Officer and the investor relations team of the Company held briefings, attended investor forums and participated in road shows with institutional investors and financial analysts in Mainland China, Hong Kong and overseas to keep them abreast of the Company's development and to ensure two-way communication.

The Company appraises its shareholders' meetings as an important channel for having face-to-face dialogue with Shareholders. All executive Directors and most of the non-executive Directors and independent non-executive Directors will attend the annual general meetings to address Shareholders' issues relating to the Group's business strategies and financial results.

During the year, investors continued to have access to up-to-date corporate information regarding the Group through the corporate website (www.xipc.com.cn), which provides information on the Group's establishment and latest business developments.

By order of the Board
ZENG Yingguo
Chairman

Xiamen, 18 April 2006