Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION

1.1 Organisation, reorganisation and principal activities

Xiamen International Port Co., Ltd (the "Company") was established in the People's Republic of China (the "PRC") on 25 May 1998 as a wholly State-owned company under the Company Law of the PRC. It was a state-owned enterprise under the administration of Xiamen Municipal Bureau of Finance ("Finance Bureau of Xiamen"). 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 and reserves 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 by creation of 73,200,000 shares of RMB1 each which were issued to four additional investors, namely, Xiamen International Airport Group Co., Ltd., Road & Bridge Construction Investment Corporation of Xiamen, Xiamen Commercial Group Co., Ltd. and Xiamen State-owned Assets Investment Corporation at RMB1.23 each for cash. The Company's H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Main Board") since 19 December 2005.

The Group is engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, ancillary value-added port services including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying and building materials manufacturing, processing and selling (collectively the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long-term investment holding.

Prior to 29 September 2004, the Group was also engaged in other businesses, not being the Core Businesses, including container, bulk and general cargo loading and unloading businesses at port terminals other than Dongdu port area and Haicang port area, retailing and trading (collectively the "Discontinued Businesses").

1. GENERAL INFORMATION (Continued)

1.1 Organisation, reorganisation and principal activities (Continued)

Significant changes in the organisational structure of the Group during the year ended 31 December 2004 are summarised below for information only:

(a) *Assets swap with Xiamen Port Development Co., Ltd (the "XPD")*

On 19 April 2004, pursuant to a mandate by the Finance Bureau of Xiamen, the Company entered into an asset swap agreement (the "Asset Swap Agreement") with XPD (formerly known as Xiamen Luqiao Joint Stock Company Limited). XPD is a joint stock limited company established in the PRC in 1999 and it's A shares are listed on the Shenzhen Stock Exchange in the PRC. Road and Bridge Construction Investment Corporation of Xiamen ("Xiamen Luqiao Investment"), another state-owned enterprise under the administration of Finance Bureau of Xiamen, held 55.13% equity interest in XPD. Prior to the effective date of the Asset Swap Agreement, XPD's businesses were categorised into (i) the operation of two toll bridges and other businesses (collectively the "Bridges and Other Businesses"), and (ii) the construction materials manufacturing, processing, and selling and long-term investment holding (collectively the "XPD Retained Businesses").

Pursuant to the Asset Swap Agreement, effective on 31 July 2004, XPD transferred the Bridges and Other Businesses to the Company and retained its interests in the XPD Retained Businesses and loans of RMB182,500,000 from Finance Bureau of Xiamen. In consideration for the above transfer, the Company transferred certain of its businesses and certain assets (collectively the "Transfer-out Assets and Companies") to XPD.

In addition, pursuant to an administrative instruction issued by State-owned Assets Supervision and Administration Council and Finance Bureau of Xiamen (together with the Asset Swap Agreement), the Company transferred the Bridges and Other Businesses to Xiamen Luqiao Investment while Xiamen Luqiao Investment transferred its 55.13% equity interest in XPD to the Company.

The above transactions are collectively referred to as "Asset Swap" hereafter.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION (Continued)

1.1 Organisation, reorganisation and principal activities (Continued)

(a) *Assets swap with Xiamen Port Development Co., Ltd (the "XPD") (Continued)*

Upon completion of the Asset Swap, the Group's interest in Transfer-out Assets and Companies reduced from 100% to 55.13%, 55.13% interest in the XPD Retained Businesses was acquired and 55.13% share of the loans from Finance Bureau of Xiamen was assumed by the Group.

Upon completion of the Asset Swap, XPD operates the Transfer-out Assets and Companies and the XPD Retained Businesses.

Details of the Transfer-out Assets and Companies, Bridges and Other Businesses and XPD Retained Businesses are set out in note 44 below.

(b) *Distribution of assets and transfer of liabilities to the parent company*

On 29 September 2004, as part of the reorganisation of the Group's businesses to prepare for the listing of the Company, the Company distributed certain of its assets, interests in certain subsidiaries, associates and a jointly controlled entity and transferred certain of its liabilities (collectively the "Disposed Items") to its parent company, Xiamen Port Holding Co., Ltd. ("Xiamen Port Holding"), a state-owned enterprise under the administration of Finance Bureau of Xiamen.

The Disposed Items comprised (i) the Group's interests in certain subsidiaries and a jointly controlled entity (the "Discontinued Businesses"), and (ii) certain assets and liabilities of the Company (the "Disposed Items Other Than Discontinued Businesses"), the operations and cash flows of which could not be clearly distinguished from the Core Businesses of the Group.

The Discontinued Businesses and their operating results during the year ended 31 December 2004 are presented in the financial statements as discontinued operations (the "Discontinued Operations") set out in note 29. The Disposed Items Other Than Discontinued Businesses are included in the continuing operations during 2004 and are not disclosed as Discontinued Operations. The carrying amounts of the Disposed Items as at the date of distribution are set out in note 27(iii).

Particulars of these subsidiaries, jointly controlled entity and associates included in the Disposed Items are set out in note 45 below.

1. GENERAL INFORMATION (Continued)

1.2 Basis of presentation

The acquisitions of XPD Retained Business set out in note 1.1 (a) above are accounted for using merger accounting. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the year ended 31 December 2004 and the consolidated balance sheet of the Group as at 31 December 2004 were prepared as if the transactions had been completed at the beginning of the year.

The financial statements for the year ended 31 December 2004 excluded the financial positions and operating results of Bridges and Other Businesses, which have been managed separately from the XPD Retained Businesses. As the Bridges and Other Businesses were transferred to Xiamen Luqiao Investment by the Company immediately after they were transferred to the Company on 31 July 2004, such businesses were not considered to have been acquired or operated by the Group.

The results of Transfer-out Assets and Companies were accounted for in the consolidated financial statements as the Company continues to control its interests in the Transfer-out Assets and Companies both before and after the Asset Swap.

The Disposed Items were controlled by the Group until they were distributed/transferred to Xiamen Port Holding on 29 September 2004. The historical results of Disposed Items were accounted for in the consolidated financial statements up to the date when the control ceased.

Specifically, the comparative figures of the financial statements for the year ended 31 December 2005 include the financial positions and operating results of:

(i) 100% of the Transfer-out Assets and Companies until 31 July 2004 when the Group's effective interest in the Transfer-out Assets and Companies reduced to 55.13% as a result of the Asset Swap;

(ii) XPD Retained Businesses (with 44.87% interest held by minority shareholders), as if it was transferred to the Group at the beginning of the year;

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION (Continued)

1.2 Basis of presentation (Continued)

(iii) 100% of the Disposed Items until 29 September 2004 when related assets and liabilities were distributed to Xiamen Port Holding. The Discontinued Businesses, being part of the Disposed Items that represented separate major lines of business and could be distinguished operationally and financially from the Core Businesses, were presented in the financial statements for the year ended 31 December 2004 as Discontinued Operations, details of which are set out in note 29 below.

In addition, the Group's interests in jointly controlled entity is accounted for by proportionate consolidation and the detailed accounting policy is set out in note 2.2 below.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and interpretations (collectively the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held-for-trading (including derivative instruments) which is recognised at fair value with changes in fair value recognised through profit and loss.

The preparation of the 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The Group has adopted all the following standards and interpretations pertinent to its operations. The applicable HKFRSs are set out below:

HKFRS 1	First Time Adoption of HKFRS
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS 1	Presentation of Financial statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

HKAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from annual periods beginning 1 January 2006.

HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)

The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31 December 2005 and 2004.

HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 January 2006.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to HKAS 39 and concluded that it is not relevant to the Group.

HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007)

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces certain disclosure requirements in HKAS 32. It is applicable to all entities that report under HKFRSs. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the Group's operations.

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Group accounting

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

(a) *Subsidiaries*

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

Except for the group reorganising transactions which have been accounted for using merger accounting as explained in note 1.2 above, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases to have control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Group accounting (Continued)

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying an interest of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Group accounting (Continued)

(c) *Jointly controlled entity*

The Group's interest in jointly controlled entity is accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entity's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group's purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, investment in a jointly controlled entity is stated at cost less provision for impairment losses. The results of jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

Accounting policies of subsidiaries, jointly controlled entity and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting segment, and the geographical segments as the secondary reporting segment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) *Transactions and balances*

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

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful lives, as follows:

Buildings	10 to 50 years
Port infrastructure	40 to 50 years
Storage infrastructure	25 years
Loading machinery	8 to 25 years
Other machinery	6 to 12 years
Vessels	5 to 18 years
Vehicles	5 to 8 years
Furniture, fittings and equipment	5 to 8 years

For the year ended 31 December 2004, certain port infrastructure, loading machinery and vessels of Transfer-out Assets and Companies were depreciated based on their estimated useful lives of 40 years, 10 to 12 years and 12 to 15 years respectively. At 1 January 2005, the Directors re-examined the current status of such assets and considered that their estimated useful lives should be 50 years, 12 to 15 years and 18 years respectively. This change in accounting estimates has been adopted prospectively and the effect is to decrease the depreciation charge by RMB5,974,000 for the year ended 31 December 2005.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Lease prepayments

Lease prepayments represent acquisition costs of land use rights less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided over the lease period of land use rights varying from 30 to 50 years on a straight-line basis.

2.7 Intangible assets

(a) *Port line use rights*

Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the port lines for periods of 50 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights.

(b) *Computer software*

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

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested annually for impairment or whenever events or changes in circumstances indicates that the carrying amount may not be recoverable. 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).

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/jointly controlled entities/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The excess of the fair value of the Group's share of net identifiable assets of the acquired subsidiary/jointly controlled entity/associate over the cost of the acquisition at the date of exchange is credited directly to the income statement.

2.10 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit and loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *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 management intends to dispose of the investment within 12 months of the balance sheet date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.10 Investments (Continued)

Purchases and sales of investments 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. Investments 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. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Where fair value of unquoted investments cannot be measured reliably, the related investments are stated in the balance sheet at cost less impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.11 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 and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

2.12 Accounts receivable

Accounts receivable are recognised initially at fair value, generally equivalent to the original invoice amounts, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.14 Cash and cash equivalents

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.

2.15 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. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, generally equivalent to the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 balance sheet date.

2.17 Borrowing costs

Interest on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed as incurred.

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entity and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) *Pension obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) *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.

(d) *Housing benefits*

Full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.20 Provisions (Continued)

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 not recognised for future operating losses.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.22 Recognition of revenue and income

Revenue comprises the fair value for the sale of goods and services net of rebates, discounts, returns, and value-added tax and after eliminated sales within the Group. Revenue and income are recognised as follows:

(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.

2. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

2.22 Recognition of revenue and income (Continued)

(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 sale of building materials*

Sales of building materials are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(e) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) *Dividend income*

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

(g) *Rental income*

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

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.24 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 financial statements, if any. 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 financial statements, if any, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

2.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders. Dividend proposed or declared after the balance sheet date are disclosed as a post balance sheet event and are not recognised as a liability at the balance sheet date.

(All amounts in Renminbi thousands unless otherwise stated)

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 cash and bank balances and borrowings as at 31 December 2005 and 2004, denominated mainly in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), are disclosed in notes 18, 20 and 24.

RMB against USD and HKD was comparatively stable during the year ended 31 December 2004. As a result, the Group considers no material foreign exchange risk and the Group had not used any forward contracts' currency borrowings or other means to hedge its foreign currency exposure for the year ended 31 December 2004.

On 21 July 2005, the People's Bank of China announced the introduction of a regulated, managed floating exchange rate system in the PRC based on market supply and demand and with reference to a basket of currencies. Removal of the peg to the USD allowed more flexibility for the exchange rate system of the RMB. As a result, the exchange rate between the USD and RMB was adjusted from USD1:RMB8.27 to USD1:RMB8.11 of which, the Group believes that such appreciation of RMB does not have any material adverse effect on the current operating results and financial position of the Group.

As at balance sheet date, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

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 bank balances and cash. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2005, over 57% of the Group's borrowings were at fixed rates (2004: 66%). The effective interest rates and terms of repayment of the Group's borrowings are disclosed in note 24.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(c) *Price risk*

The Group's results of operations may be significantly affected by the fluctuation of the fuel price which is a significant expense for the Group. While the international fuel price is determined by worldwide market demand and supply, domestic fuel price is regulated by the relevant authorities of the state government. Fuel expense represents 9% of the Group's total costs of sales for the year ended 31 December 2005 (2004: 7%).

(d) *Credit risk*

The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, time deposits, accounts and bills receivable, and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. No single customer accounted for greater than 10% of total revenues during the year.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's primary cash requirements have been for additions of port infrastructure and loading machinery and repayments of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, investments, trade and other receivables; and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in note 24.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term borrowings. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

4.1 Critical accounting estimates and assumptions

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.

(a) *Useful lives of plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

(c) *Deferred income tax assets*

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) *Deferred income tax assets (Continued)*

The Group's management determines the deferred income tax assets based on the enacted or substantially 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 utilised. Management will revise the assumptions and profit projections by each balance sheet date.

(d) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and 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.

(e) *Provision for impairment of accounts receivable*

The Group's management determines the provision for impairment of accounts receivable. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the provision by each balance sheet date.

4.2 Critical judgments in applying the Group's accounting policies

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

5. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machinery RMB'000	Other machinery RMB'000	Vessels RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2004										
Cost										
As at 1 January 2004	346,731	999,939	122,745	809,395	176,164	144,806	128,080	127,796	390,229	3,245,885
Additions	7,144	2,459	11,446	18,085	7,760	—	6,405	12,081	757,273	822,653
Transfer	38,766	2,946	8,061	14,975	14,991	—	10,865	3,994	(94,598)	—
Distribution (note 27(iii))	(141,132)	(235,105)	(134)	(16,657)	(79,278)	—	(27,273)	(47,623)	(543,875)	(1,091,077)
Disposals	(12,917)	—	—	(4,619)	(2,025)	(3,936)	(2,430)	(13,826)	—	(39,753)
As at 31 December 2004	**238,592**	**770,239**	**142,118**	**821,179**	**117,612**	**140,870**	**115,647**	**82,422**	**509,029**	**2,937,708**
Accumulated depreciation and impairment losses										
As at 1 January 2004	(60,652)	(179,168)	(32,039)	(236,122)	(87,270)	(64,048)	(71,568)	(73,839)	—	(804,706)
Distribution (note 27(iii))	33,852	70,462	58	10,710	58,983	—	17,506	30,597	—	222,168
Disposals	4,535	—	—	4,619	751	3,936	1,979	13,224	—	29,044
Depreciation for the year	(10,875)	(22,602)	(5,729)	(33,359)	(27,969)	(9,687)	(11,513)	(17,438)	—	(139,172)
As at 31 December 2004	**(33,140)**	**(131,308)**	**(37,710)**	**(254,152)**	**(55,505)**	**(69,799)**	**(63,596)**	**(47,456)**	**—**	**(692,666)**
Net book value as at 31 December 2004	**205,452**	**638,931**	**104,408**	**567,027**	**62,107**	**71,071**	**52,051**	**34,966**	**509,029**	**2,245,042**
Year ended 31 December 2005										
Cost										
As at 1 January 2005	238,592	770,239	142,118	821,179	117,612	140,870	115,647	82,422	509,029	2,937,708
Additions	9,021	1,895	1,920	55,622	4,772	5,502	8,264	6,294	570,084	663,374
Transfer	(8,073)	4,482	(12,368)	112,646	4,927	49,509	7,638	2,015	(160,776)	—
Reclassification	3,748	(8,597)	—	11,059	(6,295)	—	85	—	—	—
Disposals	(1,650)	(812)	—	(3,130)	(1,687)	—	(1,888)	(1,404)	—	(10,571)
As at 31 December 2005	**241,638**	**767,207**	**131,670**	**997,376**	**119,329**	**195,881**	**129,746**	**89,327**	**918,337**	**3,590,511**
Accumulated depreciation and impairment losses										
As at 1 January 2005	(33,140)	(131,308)	(37,710)	(254,152)	(55,505)	(69,799)	(63,596)	(47,456)	—	(692,666)
Reclassification	(2,500)	4,953	—	(6,887)	4,488	—	(54)	—	—	—
Disposals	391	492	—	3,117	1,371	—	1,776	1,279	—	8,426
Depreciation for the year	(9,323)	(20,459)	(6,666)	(42,916)	(10,991)	(5,587)	(11,055)	(12,785)	—	(119,782)
As at 31 December 2005	**(44,572)**	**(146,322)**	**(44,376)**	**(300,838)**	**(60,637)**	**(75,386)**	**(72,929)**	**(58,962)**	**—**	**(804,022)**
Net book value as at 31 December 2005	**197,066**	**620,885**	**87,294**	**696,538**	**58,692**	**120,495**	**56,817**	**30,365**	**918,337**	**2,786,489**

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Continuing operations (note 32)	**119,782**	130,853
Discontinued operations	**—**	8,319
	119,782	139,172

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machinery RMB'000	Other machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2004									
Cost									
As at 1 January 2004	72,313	400,731	27,367	160,296	9,690	8,993	21,923	338,629	1,039,942
Additions	—	—	—	—	—	—	1,520	679,807	681,327
Transfer from subsidiaries	39,402	293,661	65,461	247,125	9,292	746	6,499	—	662,186
Transfer to subsidiaries	(13,600)	(124,456)	(27,367)	(160,297)	(3,254)	(3,752)	(3,211)	(12,198)	(348,135)
Distribution (note 27(iii))	(60,340)	(146,789)	—	(13,241)	(6,972)	(5,240)	(16,117)	(539,901)	(788,600)
Disposals	(1,955)	—	—	—	—	—	(3,534)	—	(5,489)
As at 31 December 2004	**35,820**	**423,147**	**65,461**	**233,883**	**8,756**	**747**	**7,080**	**466,337**	**1,241,231**
Accumulated depreciation and impairment losses									
As at 1 January 2004	(13,971)	(95,290)	(15,293)	(73,974)	(7,349)	(7,179)	(11,963)	—	(225,019)
Transfer from subsidiaries	(6,856)	(32,881)	(14,589)	(33,651)	(6,861)	(650)	(3,091)	—	(98,579)
Transfer to subsidiaries	3,670	57,692	15,293	73,974	1,149	3,315	2,612	—	157,705
Distribution (note 27(iii))	12,363	44,755	—	8,366	6,361	4,194	10,218	—	86,257
Disposals	523	—	—	—	—	—	2,254	—	2,777
Depreciation for the year	(2,763)	(13,922)	(2,533)	(8,869)	(1,970)	(368)	(1,924)	—	(32,349)
As at 31 December 2004	**(7,034)**	**(39,646)**	**(17,122)**	**(34,154)**	**(8,670)**	**(688)**	**(1,894)**	**—**	**(109,208)**
Net book value as at 31 December 2004	**28,786**	**383,501**	**48,339**	**199,729**	**86**	**59**	**5,186**	**466,337**	**1,132,023**
Year ended 31 December 2005									
Cost									
As at 1 January 2005	35,820	423,147	65,461	233,883	8,756	747	7,080	466,337	1,241,231
Additions	187	1,541	—	—	—	—	121	431,810	433,659
Transfer to subsidiaries	—	—	—	—	—	—	—	(94,850)	(94,850)
Reclassification	(18,913)	34,129	(20,940)	(3,864)	14,581	(747)	(4,246)	—	—
As at 31 December 2005	**17,094**	**458,817**	**44,521**	**230,019**	**23,337**	**—**	**2,955**	**803,297**	**1,580,040**
Accumulated depreciation and impairment losses									
As at 1 January 2005	(7,034)	(39,646)	(17,122)	(34,154)	(8,670)	(688)	(1,894)	—	(109,208)
Reclassification	5,175	(16,621)	9,145	2,064	(1,868)	690	1,415	—	—
Depreciation for the year	(1,457)	(9,742)	(1,817)	(9,884)	(1,122)	(2)	(992)	—	(25,016)
As at 31 December 2005	**(3,316)**	**(66,009)**	**(9,794)**	**(41,974)**	**(11,660)**	**—**	**(1,471)**	**—**	**(134,224)**
Net book value as at 31 December 2005	**13,778**	**392,808**	**34,727**	**188,045**	**11,677**	**—**	**1,484**	**803,297**	**1,445,816**

(All amounts in Renminbi thousands unless otherwise stated)

6. LEASE PREPAYMENTS

(a) The Group

	Land use rights RMB'000
Year ended 31 December 2004	
Cost	
As at 1 January 2004	981,749
Disposals	(159)
Distribution (note 27(iii))	(101,355)
As at 31 December 2004	**880,235**
Accumulated amortisation	
As at 1 January 2004	(21,810)
Disposals	81
Distribution (note 27(iii))	4,739
Amortisation charge	(19,393)
As at 31 December 2004	**(36,383)**
Net book value as at 31 December 2004	**843,852**
Year ended 31 December 2005	
Cost	
As at 1 January 2005	880,235
Additions	24,037
Disposals	(798)
As at 31 December 2005	**903,474**
Accumulated amortisation	
As at 1 January 2005	(36,383)
Disposals	567
Amortisation charge	(17,969)
As at 31 December 2005	**(53,785)**
Net book value as at 31 December 2005	**849,689**

6. LEASE PREPAYMENTS (Continued)

(a) The Group (Continued)

The Group's interests in land use rights in the PRC are held on leases between 10 to 50 years.

Amortisation of lease prepayments has been charged to cost of sales as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Continuing operations (note 32)	**17,969**	19,234
Discontinued operations	**—**	159
	17,969	19,393

(All amounts in Renminbi thousands unless otherwise stated)

6. LEASE PREPAYMENTS (Continued)

(b) The Company

	Land use rights RMB'000
Year ended 31 December 2004	
Cost	
As at 1 January 2004	885,903
Transfer to subsidiaries	(340,231)
Distribution (note 27(iii))	(94,495)
As at 31 December 2004	**451,177**
Accumulated amortisation	
As at 1 January 2004	(10,623)
Transfer to subsidiaries	2,260
Distribution (note 27(iii))	3,195
Amortisation charge	(14,630)
As at 31 December 2004	**(19,798)**
Net book value as at 31 December 2004	**431,379**
Year ended 31 December 2005	
Cost	
As at 1 January 2005	451,177
Transfer to subsidiaries	(7,491)
As at 31 December 2005	**443,686**
Accumulated amortisation	
As at 1 January 2005	(19,798)
Transfer to subsidiaries	670
Amortisation charge	(8,899)
As at 31 December 2005	**(28,027)**
Net book value as at 31 December 2005	**415,659**

7. INTANGIBLE ASSETS

The intangible assets of the Group represent port line use rights and computer software. Port line use rights represent the acquisition costs of rights on using the port line by Xiamen International Container Terminals Ltd. ("XICT") and are amortised on a straight line basis over 50 years. Computer software represents acquisition costs of (i) computer software licences and (ii) electronic data interchange system used by the Group and is amortised on a straight line basis over 5 years. The movement is set out as follow:

(a) The Group

	Port line use rights RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2004			
Cost			
As at 1 January 2004	30,804	1,744	32,548
Additions	—	155	155
Distribution (note 27(iii))	—	(50)	(50)
As at 31 December 2004	**30,804**	**1,849**	**32,653**
Accumulated amortisation			
As at 1 January 2004	(3,751)	(478)	(4,229)
Distribution (note 27(iii))	—	12	12
Amortisation charge	(654)	(328)	(982)
As at 31 December 2004	**(4,405)**	**(794)**	**(5,199)**
Net book value as at 31 December 2004	**26,399**	**1,055**	**27,454**
Year ended 31 December 2005			
Cost			
As at 1 January 2005	30,804	1,849	32,653
Additions	—	405	405
As at 31 December 2005	**30,804**	**2,254**	**33,058**

(All amounts in Renminbi thousands unless otherwise stated)

7. INTANGIBLE ASSETS (Continued)

(a) The Group (Continued)

	Port line use rights	Computer software	Total
	RMB'000	RMB'000	RMB'000
Accumulated amortisation			
As at 1 January 2005	(4,405)	(794)	(5,199)
Amortisation charge	(650)	(450)	(1,100)
As at 31 December 2005	**(5,055)**	**(1,244)**	**(6,299)**
Net book value as at 31 December 2005	**25,749**	**1,010**	**26,759**

Amortisation of intangible assets has been charged to the general and administrative expense as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Continuing operations (note 32)	**1,100**	980
Discontinued operations	**—**	2
	1,100	982

8. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Listed investment in XPD, at cost	**1,127,274**	1,127,274
Unlisted investments, at cost	**275,359**	275,359
	1,402,633	1,402,633

The Group's interest in XPD represents non-publicly tradable legal person shares which are not freely transferable on the stock market under the prevailing PRC listing rules. Market value is not presented for those shares as such information is not meaningful.

Particulars of the Company's subsidiaries are set out in note 43.

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENT IN JOINTLY CONTROLLED ENTITY

(a) The Group

The Group's share of assets and liabilities, revenues and results of jointly controlled entities included in the consolidated balance sheet and consolidated income statement are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Assets:		
Non-current assets	**607,298**	572,827
Current assets	**132,843**	109,703
	740,141	682,530
Liabilities:		
Current liabilities	**44,600**	32,571
Net assets	**695,541**	649,959

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Revenues	**175,955**	120,282
Expenses	**(79,374)**	(63,508)
Profit before income tax	**96,581**	56,774
Income tax expense	**—**	(43)
Profit for the year	**96,581**	56,731

9. INVESTMENT IN JOINTLY CONTROLLED ENTITY (Continued)

(a) The Group (Continued)

As at 31 December 2005, the Group only had interest in a jointly controlled entity ie. XICT, an equity joint venture established in the PRC in which the Group holds 51% equity interest but without unilateral control. During the year ended 31 December 2004, apart from the investment in XICT, the Company also had interest in Xiamen Haicang Jinding Wharf Co., Ltd. ("Haicang Jinding") which was acquired by the Group in 2003. The share of results of Haicang Jinding was included in the Group's financial statements until it was disposed of on 29 September 2004, as part of the Discontinued Operations pursuant to the reorganisation as mentioned in noted 1.1(b). Haicang Jinding represented less than 1% of the Group's net assets, revenues and results.

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity and no contingent liabilities of the jointly controlled entity itself.

Particulars of the Group's jointly controlled entity are set out in note 43.

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Unlisted investment in a jointly controlled entity, at cost	**3,315**	3,315

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Share of net assets	**46,995**	45,139
Goodwill	**1,036**	1,036
	48,031	46,175
Less: provision for impairment	**—**	(125)
	48,031	46,050

Movements of investment in associates are as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
At beginning of year	**46,050**	56,622
Additions	**—**	196
Disposal	**(125)**	(12,355)
Reversal of provision for impairment	**125**	—
Dividends received	**(2,242)**	(1,053)
Share of results before income tax	**4,525**	2,920
Share of income tax	**(757)**	(280)
	3,768	2,640
Others	**455**	—
At end of year	**48,031**	46,050

10. INVESTMENTS IN ASSOCIATES (Continued)

(a) The Group (Continued)

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Total assets	**68,166**	63,322
Total liabilities	**21,471**	15,772

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Revenues	**40,426**	17,440
Other gains, net	**3**	11
Operating profit	**5,122**	2,929
Profit for the year	**3,768**	2,640

The particulars of the Group's associates are set out in note 43.

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Unlisted investment, at cost	**4,521**	4,521

(All amounts in Renminbi thousands unless otherwise stated)

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Unlisted equity investments, at cost (note)	**33,874**	34,150
Less: provision for impairment	**(7,720)**	(8,220)
	26,154	25,930

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Unlisted equity investments, at cost (note)	**23,490**	23,490
Less: provision for impairment	**(7,400)**	(7,400)
	16,090	16,090

Note:

The directors are of the opinion that the fair value of all unlisted investments cannot be measured reliably and therefore they are stated at cost less impairment losses in the financial statements.

12. DEFERRED INCOME TAX

(a) The Group

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Deferred income tax assets		
As at 1 January	**38,190**	17,817
(Charged)/credited to income statement	**(4,792)**	67
Credited to equity (note (iii))	**—**	20,306
As at 31 December	**33,398**	38,190
To be recovered:		
Within 12 months	**878**	878
After more than 12 months	**32,520**	37,312
	33,398	38,190

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

12. DEFERRED INCOME TAX (Continued)

(a) The Group (Continued)

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Deferred income tax liabilities		
As at 1 January	**3,491**	3,709
Credited to income statement	**(221)**	(218)
As at 31 December	**3,270**	3,491
To be settled:		
Within 12 months	**221**	221
After more than 12 months	**3,049**	3,270
	3,270	3,491

12. DEFERRED INCOME TAX (Continued)

(a) The Group (Continued)

(ii) The principal components of deferred income tax assets and liabilities provided for, prior to offsetting of balances within the same tax jurisdiction, are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Deferred income tax assets		
Provision for impairment of receivables	**3,553**	3,076
Provision for impairment of inventories	**35**	35
Provision for impairment of long-term investments	**1,158**	5,527
Provision for impairment of property, plant and equipment	**85**	105
Revaluation surplus in connection with the Asset Swap with XPD (note 27(ii))	**21,284**	21,987
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity (note)	**7,283**	7,460
	33,398	38,190

Note:

Xiamen Haicang Port Co., Ltd. ("Xiamen Haicang Port Company"), a subsidiary of the Company, transferred certain property, plant and equipment at a gain to XICT, an equity joint venture established in the PRC in which Xiamen Haicang Port Company holds 51% equity interest. An unrealised gain attributable to the Group amounting to RMB57,315,000 was taxable immediately at the time of transfer of the aforesaid property, plant and equipment under the relevant PRC tax rules. As the unrealised gain will be realised on the straight-line basis over the useful lives of the related property, plant and equipment, deferred income tax asset was recognised for this temporary difference.

12. DEFERRED INCOME TAX (Continued)

(a) The Group (Continued)

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Deferred income tax liabilities		
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal")	**3,270**	3,491

(iii) The deferred income tax credited to equity during the year ended 31 December 2004 was as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Decrease in provision for impairment on long-term investments and other receivables upon distribution of the Disposed Items to equity holder (note 27(iii))	**—**	(1,973)
Revaluation surplus in connection with the Asset Swap with XPD (note 27(ii))	**—**	22,279
	—	20,306

12. DEFERRED INCOME TAX (Continued)

(b) The Company

(i) The movements in deferred income tax assets during the year are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
As at 1 January	**1,110**	3,704
Charged to income statement	**—**	(621)
Charged to equity (note (a)(iii))	**—**	(1,973)
As at 31 December	**1,110**	1,110

Deferred income tax assets at each balance sheet date are expected to be recovered after more than 12 months.

(ii) The principal components of deferred income tax assets provided for are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Provision for impairment of long-term investments	**1,110**	1,110

(iii) The deferred income tax charged to equity during the year is as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Decrease in provision for impairment on long-term investments and other receivables upon distribution of the Disposed Items (note 27(iii))	**—**	(1,973)

(All amounts in Renminbi thousands unless otherwise stated)

13. INVENTORIES — THE GROUP

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Raw materials	**6,499**	10,665
Work-in-progress	**367**	2,200
Finished goods and merchandise	**49,344**	34,761
Spare parts and consumables	**27,691**	20,920
	83,901	68,546
Less: provision for impairment	**(234)**	(452)
	83,667	68,094

The raw materials mainly consist of fuel and oil which are used for machinery operations and stone for producing concrete by Xiamen Road & Bridge Building Material Co, Ltd. Work-in-progress and finished goods and merchandise are mainly those of Xiamen Road & Bridge Building Material Co, Ltd.. The spare parts and consumables are mainly for repair and maintenance of port facilities and other equipments.

Cost of inventories was charged to the consolidated income statements as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Continuing operations (note 32)	**235,670**	193,721
Discontinued operations	**—**	35,374
	235,670	229,095

14. ACCOUNTS AND NOTES RECEIVABLE, NET — THE GROUP

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Accounts receivable	**351,675**	347,780
Less: provision for impairment	**(13,425)**	(10,718)
	338,250	337,062
Due from fellow subsidiaries	**3,072**	1,274
Notes receivable	**19,603**	5,200
	360,925	343,536

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

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Less than 6 months	**320,122**	313,206
6 months to 1 year	**19,214**	13,332
1 year to 2 years	**22,012**	19,001
2 years to 3 years	**4,771**	4,127
Over 3 years	**8,231**	4,588
	374,350	354,254

(All amounts in Renminbi thousands unless otherwise stated)

14. ACCOUNTS AND NOTES RECEIVABLE, NET — THE GROUP (Continued)

Notes receivable are bills of exchange with average maturity dates of within 6 months.

The carrying amounts of accounts and notes receivable approximate their fair values.

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

15. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Other receivables	**32,587**	39,820
Less: provision for impairment	**(9,999)**	(9,490)
	22,588	30,330
Due from BNP Paribas Peregrine (the "BNP") (note (ii))	**34,464**	—
Due from parent company (notes (iii) & (iv))	**1,080**	169,597
Due from fellow subsidiaries (note (iv))	**4,656**	1,880
Advances to suppliers	**38,657**	11,374
Prepayments and deposits	**5,547**	3,661
	106,992	216,842

(i) The carrying amounts of other receivables, prepayments and other current assets approximate their fair values.

(ii) The amounts due from BNP are mainly due to the proceeds collected by BNP on behalf of the Company from the issuance of international placing shares. The net amounts due from BNP were fully collected by the Company on 3 January 2006.

15. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

(a) The Group (Continued)

(iii) As at 31 December 2005, the amount due from Xiamen Port Holding, the parent company, represents the maintenance services fee receivable from Xiamen Port Holding pursuant to the railway concession agreement entered between Xiamen Port Holding and XPD (note 42(b)(ii)). The amount due from Xiamen Port Holding as at 31 December 2004 was fully settled.

(iv) The amounts due from parent company and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Due from BNP (note (a)(ii))	**34,464**	—
Due from subsidiaries (note(ii))	**111,721**	95,682
Due from parent company (note (a)(iii))	**—**	169,597
Other receivables	**228**	6,430
	146,413	271,709

(i) The carrying amounts of other receivables and other current assets approximate their fair values.

(ii) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS — THE GROUP

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Investments in securities listed outside Hong Kong, at fair value	**854**	838

17. NON-CURRENT ASSETS HELD FOR SALE — THE GROUP

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Unlisted investment, at cost	**—**	80,000
Less: provision for impairment	**—**	(28,530)
	—	51,470

Non-current assets held for sale represented the investment in 3.27% equity interest in Tiantong Securities held by XPD.

On 31 December 2004 ("Date of the Share Transfer Agreement"), XPD entered into an agreement with Xiamen Port Holding pursuant to which XPD conditionally transferred its interest in Tiantong Securities to Xiamen Port Holding for a consideration of RMB51,500,000 which was subject to the approvals by China Securities Regulatory Commission ("CSRC") and other shareholders of Tiantong Securities (note 42(a)).

The transfer consideration was received by XPD from Xiamen Port Holding in April 2005 and the approvals for the transfer from other shareholders of Tiantong Securities and CSRC were obtained in May 2005.

18. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS — THE GROUP

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Term deposits denominated in:		
RMB	**135,000**	22,518
USD	**49,411**	60,256
	184,411	82,774

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 2.59% (2004: 2.14%) per annum for the year ended 31 December 2005.

19. RESTRICTED CASH

The restricted cash was held in designated bank accounts under the names of certain subsidiaries of the Group as for the maintenance of staff quarters and as guarantee deposits for note payables.

(All amounts in Renminbi thousands unless otherwise stated)

20. CASH AND CASH EQUIVALENTS

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Cash at bank and in hand	**1,045,229**	388,899
Bank deposits	**238,771**	176,722
	1,284,000	565,621
Less: term deposits with initial term of over three months (note 18)	**(184,411)**	(82,774)
Cash and cash equivalents	**1,099,589**	482,847
Denominated in:		
RMB	**367,094**	416,125
HKD	**650,177**	599
USD	**82,318**	66,123
	1,099,589	482,847

(i) The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 to 90 days, was 1.86% (2004: 1.74%) per annum for the year ended 31 December 2005.

(ii) The Group'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. CASH AND CASH EQUIVALENTS (Continued)

(b) The Company

As of 31 December 2005, the cash and cash equivalents of the Company consists of cash at bank and in hand.

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Cash at bank and in hand denominated in:		
RMB	**58,664**	—
HKD	**648,441**	—
USD	**5**	—
	707,110	—

21. ACCOUNTS AND BILLS PAYABLE

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Accounts payable	**338,459**	303,518
Due to related parties	**5,960**	3,527
Bills payable	**90,578**	23,051
	434,997	330,096

(All amounts in Renminbi thousands unless otherwise stated)

21. ACCOUNTS AND BILLS PAYABLE (Continued)

(a) The Group (Continued)

Aging analysis of accounts and bills payable of trading in nature (including amounts due to related parties) at respective balance sheet dates is as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Within 1 year	**426,214**	321,374
1 year to 2 years	**7,062**	2,333
2 years to 3 years	**43**	4,632
Over 3 years	**1,678**	1,757
	434,997	330,096

Bills payable are bills of exchange with average maturity dates of within 6 months. The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Accounts payable	**2,900**	3,625

21. ACCOUNTS AND BILLS PAYABLE (Continued)

(b) The Company (Continued)

Aging analysis of accounts payable of trading in nature at respective balance sheet dates is as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Within 1 year	**—**	3,625
1 year to 2 years	**2,900**	—
	2,900	3,625

22. ACCRUALS, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Due to Finance Bureau of Xiamen (note 42(b)(i))	**—**	182,500
Due to parent company (note (i))	**3,727**	76,100
Due to fellow subsidiaries	**1,528**	7,535
Due to other related parties (note 42(b)(v))	**73,472**	80,404
Payable for purchases of property, plant and equipment and construction-in-progress	**26,856**	23,426
Salary and welfare payables	**72,921**	48,363
Payable for National Council for Social Security Fund (note (ii))	**106,140**	—
Customer deposits	**33,242**	33,636
Accrued expenses	**10,940**	5,422
Other payables	**49,969**	40,717
Dividend payable to parent company (note 42(b))	**40**	—
	378,835	498,103

22. ACCRUALS, OTHER PAYABLES AND OTHER CURRENT LIABILITIES (Continued)

(a) The Group (Continued)

(i) The balance consists of employee benefit expense paid on behalf of the Company by Xiamen Port Holding and operating lease expenses payable to Xiamen Port Holding based on the terms stipulated in lease agreements entered between the Company and Xiamen Port Holding.

(ii) The balance refers to amount payable to National Council for Social Security Fund ("NCSSF") in relation to the transfer and subsequent sales of NCSSF's shares of the Company. Pursuant to "Approval concerning transfer of domestic shares held by Xiamen Port Holding" (Guo Zi Chan Quan [2005] No 204) issued by State-owned Assets Supervision and Administration Commission of the State Council, Xiamen Port Holding has transferred 78,000,000 domestic shares of the Company to NCSSF. Immediately after the aforesaid share transfer, NCSSF entrusted the Company to sell these shares. The Company subsequently converted these domestic shares into H shares and sold them during the initial public offering.

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

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Due to parent company	**455**	—
Due to subsidiaries	**97,695**	177,298
Accrued expenses	**6,571**	2,330
Salary and welfare payables	**3,014**	5,406
Payable to National Council for Social Security Fund (note (a)(ii))	**106,140**	—
Dividend payable to parent company	**40**	—
Other payables	**4,209**	6,432
	218,124	191,466

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

23. LONG-TERM PAYABLES

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Deferred income on tax credit related to purchases of domestic equipment (note (i))	**33,968**	18,392
Government grants on purchases of property, plant and equipment (note (ii))	**111,441**	81,256
	145,409	99,648

(i) In 2001 and 2002, 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" (the "Notice") 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. The total tax credit available, as approved by the State Tax Bureau in Xiamen City for offsetting the future income tax subject to certain conditions stipulated in the Notice, amounted to RMB38,624,000.

The tax credit approved by the State Tax Bureau in Xiamen City to reduce the income tax as at 31 December 2005 amounted to RMB17,777,000 (2004: RMB10,610,000). The tax credit is deferred and credited to income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment.

(ii) In year 2002, 2004 and 2005, the Company received government grants amounting to RMB52,570,000, RMB30,000,000 and RMB31,500,000 respectively on purchases of property, plant and equipment to further develop the ports at Xiamen. These grants were deferred and credited to income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

23. LONG-TERM PAYABLES (Continued)

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Government grants on purchases of property, plant and equipment (note (a)(ii))	**111,441**	81,256

24. BORROWINGS

(a) The Group

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
UNSECURED		
Non-current		
Long-term bank borrowings	**854,648**	1,182,766
Current		
Short-term bank borrowings	**45,000**	17,000
Long-term bank borrowings — current portion	**36,111**	65,607
	81,111	82,607
Total borrowings	**935,759**	1,265,373
Representing:		
— unguaranteed	**830,449**	1,154,673
— guaranteed (note (i))	**105,310**	110,700
Total borrowings	**935,759**	1,265,373
Analysed as follows:		
— wholly repayable within five years	**173,000**	79,000
— not wholly repayable within five years	**762,759**	1,186,373
Total borrowings	**935,759**	1,265,373

(i) As at 31 December 2005, bank borrowings amounting to RMB105,310,000 is guaranteed by China Construction Bank (2004: RMB110,700,000).

(All amounts in Renminbi thousands unless otherwise stated)

24. BORROWINGS (Continued)

(a) The Group (Continued)

An analysis of the carrying amounts of the Group's total borrowings by type and currency is as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
RMB		
— at fixed rates	**529,576**	832,000
— at floating rates	**100,000**	—
	629,576	832,000
USD		
— at floating rates	**306,183**	433,373
Total borrowings	**935,759**	1,265,373

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Bank borrowings		
— RMB	**5.05%**	5.16%
— USD	**3.82%**	3.20%

24. BORROWINGS (Continued)

(a) The Group (Continued)

The maturities of the Group's total borrowings at the respective balance sheet dates are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Bank borrowings repayable:		
— within one year	**81,111**	82,607
— in the second year	**11,838**	63,608
— in the third to fifth year	**213,754**	128,357
— after the fifth year	**629,056**	990,801
	935,759	1,265,373

The carrying amounts of short-term bank borrowings and current portion of long-term bank borrowings approximate their fair values.

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Carrying amounts	**854,648**	1,182,766
Fair value	**819,524**	1,131,300

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

(All amounts in Renminbi thousands unless otherwise stated)

24. BORROWINGS (Continued)

(a) The Group (Continued)

At each balance sheet date, the Group had the following undrawn borrowing facilities:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Fixed rates	**731,424**	387,000

Among the undrawn borrowing facilities as at 31 December 2005, RMB12,554,000 will expire in December 2006, RMB473,870,000 will expire in October 2012, and RMB245,000,000 will expire in December 2013.

24. BORROWINGS (Continued)

(b) The Company

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
UNSECURED		
Non-current		
Long-term bank borrowings	**819,203**	1,154,766
Current		
Long-term bank borrowings — current portion	**8,111**	65,607
Total borrowings	**827,314**	1,220,373
Representing:		
— unguaranteed	**722,004**	1,109,673
— guaranteed (note (a)(i))	**105,310**	110,700
	827,314	1,220,373
Analysed as follows:		
— wholly repayable within five years	**100,000**	34,000
— not wholly repayable within five years	**727,314**	1,186,373
Total borrowings	**827,314**	1,220,373

(All amounts in Renminbi thousands unless otherwise stated)

24. BORROWINGS (Continued)

(b) The Company (Continued)

An analysis of the carrying amounts of the Company's total borrowings by type and currency is as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
RMB		
— at fixed rates	**421,130**	787,000
— at floating rates	**100,000**	—
	521,130	787,000
USD		
— at floating rates	**306,184**	433,373
Total borrowings	**827,314**	1,220,373

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Bank borrowings		
— RMB	**5.40%**	5.17%
— USD	**3.82%**	3.20%

24. BORROWINGS (Continued)

(b) The Company (Continued)

The maturities of the Company's total borrowings at the respective balance sheet dates are as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Bank borrowings repayable:		
— within one year	**8,111**	65,607
— in the second year	**8,958**	35,608
— in the third to fifth year	**205,114**	128,357
— after the fifth year	**605,131**	990,801
	827,314	1,220,373

The carrying amounts of current portion of long-term bank borrowings approximate their fair values.

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Carrying amounts	**819,203**	1,154,766
Fair value	**786,908**	1,103,446

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

(All amounts in Renminbi thousands unless otherwise stated)

24. BORROWINGS (Continued)

(b) The Company (Continued)

At each balance sheet date, the Company had the following undrawn borrowing facilities:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Fixed rates	**718,870**	387,000

Among the undrawn borrowing facilities as at 31 December 2005, RMB473,870,000 will expire in October 2012 and RMB245,000,000 will expire in December 2013.

25. EARLY RETIREMENT BENEFIT OBLIGATIONS — THE GROUP

Early retirement benefits are paid to employees who retire prior to the age of retirement. In addition, pursuant to the employment contracts signed between the Group and certain early retired employees, the Group is committed to make periodic benefit payments to these employees who are terminated or asked to retire early.

The movements of early retirement benefit obligations for the year ended 31 December 2004 and 2005 are as follows:

	RMB'000
As at 1 January 2004	**15,469**
Payment for the year	(3,993)
As at 31 December 2004	**11,476**
Payment for the year	(2,295)
As at 31 December 2005	**9,181**

25. EARLY RETIREMENT BENEFIT OBLIGATIONS — THE GROUP (Continued)

The fair values of early retirement benefit obligations are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The balance as at 31 December 2005 is expected to be fully settled in 2015.

26. CAPITAL

	Registered and paid-in capital	Domestic shares of RMB1 each	H shares of RMB1 each	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004 and 2005 (note (a))	500,000	—	—	500,000
Upon transformation by conversion of the following to domestic shares (note (b))				
— registered and paid-in capital	(500,000)	500,000	—	—
— reserves	—	1,256,000	—	1,256,000
Contribution from domestic equity holder (note (c))	—	73,200	—	73,200
Conversion of domestic shares to 78,000,000 H shares (note (d))	—	(78,000)	78,000	—
Issuance of new H shares upon listing(note (d))	—	—	780,000	780,000
At 31 December 2005	—	1,751,200	858,000	2,609,200

(a) The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. The registered and paid-in capital of the Company upon establishment was RMB500,000,000.

(All amounts in Renminbi thousands unless otherwise stated)

26. CAPITAL (Continued)

(b) 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.

(c) 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 equity holders, namely, Xiamen International Airport Group Co., Ltd., Road & Bridge Construction Investment Corporation of Xiamen, Xiamen Commercial Group Co., Ltd. and Xiamen State-owned Assets Investment Corporation, at RMB1.23 each for cash.

(d) 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 (note 22(a)(ii)), with a nominal value of RMB1 each were issued to the public by way of global offering at offer price of HK$1.38 each.

(e) The domestic shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in Renminbi but paid in Hong Kong dollars.

27. RESERVES

(a) The Group

	Note	Other reserves					
		Capital surplus	Statutory surplus reserve (note iv)	Statutory public welfare fund (note v)	Total	Retained earnings (note vi)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2004		**1,274,981**	**269,806**	**329,957**	**1,874,744**	**445,368**	**2,320,112**
Profit for the year		—	—	—	—	232,712	232,712
Contribution from Finance Bureau of Xiamen		6,043	—	—	6,043	—	6,043
Transfer of 44.87% of Transfer-out Assets and Companies to minority shareholders of XPD	(i)	(387,537)	—	—	(387,537)	—	(387,537)
55.13% share of loans assumed from Finance Bureau of Xiamen	(i)	(100,612)	—	—	(100,612)	—	(100,612)
Deferred income tax asset arising from the Asset Swap	(ii)	12,283	—	—	12,283	—	12,283
Distribution of the Disposed Items to parent company	(iii)	(984,612)	(13,282)	(2,841)	(1,000,735)	—	(1,000,735)
Share issuance costs		(4,179)	—	—	(4,179)	—	(4,179)
Profit appropriation	(iv) & (v)	—	19,942	20,501	40,443	(40,443)	—
Dividends declared and paid to Finance Bureau of Xiamen		—	—	—	—	(1,000)	(1,000)
Balance at 31 December 2004		**(183,633)**	**276,466**	**347,617**	**440,450**	**636,637**	**1,077,087**
Profit for the year		—	—	—	—	243,554	243,554
Contribution from domestic equity holders		16,836	—	—	16,836	—	16,836
Capitalisation of reserves into share capital upon the transformation (note 26(b))		(608,734)	(103,880)	(251,926)	(964,540)	(291,460)	(1,256,000)
Share premium arising from issuance of new H shares		353,982	—	—	353,982	—	353,982
Share issuance costs		(80,422)	—	—	(80,422)	—	(80,422)
Profit appropriation	(iv) & (v)	—	48,869	30,914	79,783	(79,783)	—
Special dividend payable to parent company	36(a)	—	—	—	—	(108,402)	(108,402)
Dividend payable to parent company		(40)	—	—	(40)	—	(40)
Balance at 31 December 2005		**(502,011)**	**221,455**	**126,605**	**(153,951)**	**400,546**	**246,595**

(All amounts in Renminbi thousands unless otherwise stated)

27. RESERVES (Continued)

(b) The Company

		Other reserves					
	Note	Capital surplus RMB'000	Statutory surplus reserve (note iv) RMB'000	Statutory public welfare fund (note v) RMB'000	Total RMB'000	Retained earnings (note vi) RMB'000	Total RMB'000
Balance at 1 January 2004		**1,244,122**	**164,808**	**260,212**	**1,669,142**	**220,217**	**1,889,359**
Profit for the year		—	—	—	—	471,381	471,381
Contribution from Finance Bureau of Xiamen		6,043	—	—	6,043	—	6,043
Distribution of the Disposed Items to parent company	(iii)	(1,026,330)	—	—	(1,026,330)	—	(1,026,330)
Realisation of statutory reserves upon disposal of a branch		—	(60,928)	(8,286)	(69,214)	—	(69,214)
Share issuance costs		(4,179)	—	—	(4,179)	—	(4,179)
Dividends declared and paid to Finance Bureau of Xiamen		—	—	—	—	(1,000)	(1,000)
Balance at 31 December 2004		**219,656**	**103,880**	**251,926**	**575,462**	**690,598**	**1,266,060**
Profit for the year		—	—	—	—	69,502	69,502
Contribution from domestic equity holders		16,836	—	—	16,836	—	16,836
Capitalisation of reserves into share capital upon the transformation (note 26(b))		(608,734)	(103,880)	(251,926)	(964,540)	(291,460)	(1,256,000)
Share premium arising from issuance of new H shares		353,982	—	—	353,982	—	353,982
Share issuance costs		(80,422)	—	—	(80,422)	—	(80,422)
Profit appropriation	(iv) & (v)	—	25,581	12,790	38,371	(38,371)	—
Special dividend payable to parent company	36(a)	—	—	—	—	(108,402)	(108,402)
Dividend payable to parent company		(40)	—	—	(40)	—	(40)
Balance at 31 December 2005		**(98,722)**	**25,581**	**12,790**	**(60,351)**	**321,867**	**261,516**

27. RESERVES (Continued)

(b) The Company (Continued)

(i) These represent the following effects on Group's reserves resulted from the Asset Swap as described in note 1.1 (a) above:

(1) Transfer of the Group's 44.87% interests in the Transfer-out Assets and Companies to the minority shareholders of XPD, calculated based on the net asset value of RMB863,684,000 of the Transfer-out Assets and Companies as at 30 June 2003 amounting to RMB387,537,000. Pursuant to the Asset Swap Agreement between the Company and XPD, profit generated by the Transfer-out Assets and Companies during the period from 30 June 2003 (the "Valuation Date") to 31 July 2004 (the "Effective Date") of the Asset Swap belongs to the Company.

The timing difference of the valuation date and effective date was mainly due to the necessary approval to be acquired from CSRC. In respect of the prolonged period of more than 12 months between the valuation date and the effective date, Finance Bureau of Xiamen has given its consent to extending the validity period of the asset valuation report up to 31 December 2004 in accordance to Document Xia Cai Qi [2004] No. 92;

(2) 55.13% share of loan assumed from Finance Bureau of Xiamen of RMB182,500,000 at the effective date of the Asset Swap amounting to RMB100,612,000.

(ii) Pursuant to the relevant PRC rules and regulations, immediately after the Asset Swap, the carrying amounts of assets of the Transfer-out Assets and Companies transferred to XPD should increase by an aggregate amount of RMB148,531,000. This represents the difference between the carrying value of the Transfer-out Assets and Companies amounting to RMB869,140,000 and the carrying value of the Bridges and Other Businesses amounting to RMB1,017,671,000, both calculated under PRC GAAP, as at the Valuation Date. The increased amounts of these assets form the tax base for calculating the future taxable profits of the Transfer-out Assets and Companies. As the accounting base under HKFRS has not been adjusted by such increase, a deferred income tax asset of RMB22,279,000 is recognised (note 12(a)(iii)). The Group's 55.13% share of such deferred income tax asset amounting to RMB12,283,000 is credited to capital reserve while the remaining balance of RMB9,996,000 is shared by the minority shareholders of XPD.

(All amounts in Renminbi thousands unless otherwise stated)

27. RESERVES (Continued)

(b) The Company (Continued)

(iii) On 29 September 2004, the Group distributed the Disposed Items to Xiamen Port Holding with a net asset value of RMB1,000,735,000, detailed as follows:

	Disposed Items Other Than Discontinued Businesses	Discontinued Businesses (note 29)	Net asset value of the Disposed Items
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	115,707	120,594	236,301
Inventories	—	29,499	29,499
Accounts and notes receivable, net	—	19,081	19,081
Other receivables, prepayments and other current assets	245,079	27,795	272,874
Investment in associates	11,355	—	11,355
Available-for-sale financial assets	13,717	—	13,717
Property, plant and equipment	702,343	166,566	868,909
Lease prepayments	91,300	5,316	96,616
Intangible assets	—	38	38
Deferred income tax assets	1,973	—	1,973
Other non-current assets	—	14,195	14,195
Accounts and bills payable	—	(8,704)	(8,704)
Accruals, other payables and other current liabilities	(186,841)	(90,157)	(276,998)
Taxes payable	(1,717)	(972)	(2,689)
Non-current liabilities	(245,776)	(17,693)	(263,469)
	747,140	265,558	1,012,698
Minority interests	—	(11,963)	(11,963)
Net assets distributed	747,140	253,595	1,000,735

27. RESERVES (Continued)

The amount of distribution recorded in the Company's books is RMB1,026,330,000, representing the net assets amounting to RMB747,140,000 set out above and the Company's investment costs in subsidiaries and a jointly controlled entity comprising the discontinued operations amounting to RMB279,190,000.

Difference of RMB25,595,000 between the distribution recorded at Company's level amounting to RMB1,026,330,000 and the net assets distributed at Group's level amounting to RMB1,000,735,000 represents the difference between the costs of investments in subsidiaries and a jointly controlled entity comprising the Discontinued Operations recorded in the Company's book and the Company's share of net assets in such subsidiaries and jointly controlled entity.

(iv) 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 and Accounting System for Business Enterprises of the PRC (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 share capital after such issuance.

(v) Companies registered in the PRC within the Group are required to set aside 5% to 10% of their statutory net profit for the year as determined under the PRC GAAP to the statutory public welfare fund. The statutory public welfare fund is to be utilised to build or acquire capital items, for the Company's employees and cannot be used to pay off staff welfare expenses. Titles to these capital items remain with the Group.

(vi) In accordance with the relevant PRC regulations and Articles of Association of the Company, retained earnings available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the PRC GAAP and the amount determined in accordance with HKFRSs.

The retained earnings of the Company as at 31 December 2005 included an unaudited balance of RMB292,146,000 (net of the special dividend payable to parent company (note 36(a)) which was accumulated up to 3 March 2006, the date of the transformation of the Company from wholly stated-owned Company to a joint stock limited company.

(All amounts in Renminbi thousands unless otherwise stated)

28. TURNOVER, INCOME AND SEGMENT INFORMATION

(a) Turnover and other income

The Group's turnover and other income derived from its continuing operations are analysed as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Turnover	**1,300,586**	1,136,923
Other income		
Interest income	**10,494**	10,754
Dividend income	**1,598**	6,800
Rental income	**1,285**	2,007
	13,377	19,561
Total	**1,313,963**	1,156,484

(b) Primary reporting segment — business segments

The business segment reporting includes 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; and (4) manufacturing and selling of building materials.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Capital expenditure comprises mainly additions to property, plant and equipment (note 5), lease prepayments (note 6) and intangible assets (note 7).

28. TURNOVER, INCOME AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment — business segments (Continued)

As at and for the year ended 31 December 2004

The segment results for the year ended 31 December 2004 and other segment items for continuing operations included in the income statement are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Total RMB'000
Continuing operations:					
Total gross segment sales	524,130	142,798	409,178	155,572	1,231,678
Inter-segment sales	—	—	(94,755)	—	(94,755)
Turnover	524,130	142,798	314,423	155,572	1,136,923
Other income					19,561
Total					1,156,484
Segment operating profit	178,405	41,767	133,289	11,186	364,647
Unallocated gain, net					23,029
Operating profit					387,676
Finance costs	(21,587)	—	(3,314)	(178)	(25,079)
Share of results of associates	25	—	2,903	(288)	2,640
Profit before income tax					365,237
Income tax expense					(71,726)
Profit for the year from continuing operations					293,511
Discontinued operations:					
Profit for the year from discontinued operations					6,359
Profit for the year					299,870

(All amounts in Renminbi thousands unless otherwise stated)

28. TURNOVER, INCOME AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment — business segments (Continued)

As at and for the year ended 31 December 2004 (Continued)

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Total RMB'000
Other information for continuing operations					
Depreciation (note 32)	72,332	18,860	32,640	7,021	130,853
Amortisation (note 32)	17,007	1,941	1,217	49	20,214
Reversal of write-down of inventories (note 32)	(431)	—	—	—	(431)
Provision for/(reversal of) impairment of receivables (note 32)	16	(42)	1,400	(25)	1,349

The segment assets and liabilities as at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Total RMB'000
Segment assets	2,665,598	489,564	1,028,922	154,817	4,338,901
Associates	7,853	—	32,621	5,576	46,050
Total segment assets	2,673,451	489,564	1,061,543	160,393	4,384,951
Unallocated assets					115,589
Total assets					4,500,540
Segment liabilities	1,495,647	30,321	559,616	71,142	2,156,726
Unallocated liabilities					112,099
Total liabilities					2,268,825
Capital expenditure	744,094	13,957	62,912	1,690	822,653

28. TURNOVER, INCOME AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment — business segments (Continued)

As at and for the year ended 31 December 2005

The segment results for the year ended 31 December 2005 and other segment items for continuing operations included in the consolidated income statement are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Total RMB'000
Continuing operations:					
Total gross segment sales	587,115	147,452	436,972	181,480	1,353,019
Inter-segment sales	—	—	(52,433)	—	(52,433)
Turnover	587,115	147,452	384,539	181,480	1,300,586
Other income					13,377
Total					1,313,963
Segment operating profit	245,529	37,635	121,205	12,010	416,379
Unallocated gain, net					19,990
Operating profit					436,369
Finance costs	(22,069)	—	(2,866)	—	(24,935)
Share of results of associates	530	—	2,464	774	3,768
Profit before income tax					415,202
Income tax expense					(71,409)
Profit for the year					343,793
Other information for continuing operations					
Depreciation (note 32)	59,966	20,334	30,441	9,041	119,782
Amortisation (note 32)	11,403	4,376	3,247	43	19,069
Reversal of write-down of inventories (note 32)	(218)	—	—	—	(218)
Provision for/(reversal of) impairment of receivables (note 32)	609	245	2,446	(84)	3,216

(All amounts in Renminbi thousands unless otherwise stated)

28. TURNOVER, INCOME AND SEGMENT INFORMATION (Continued)

(b) Primary reporting segment — business segments (Continued)

The segment assets and liabilities as at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Total RMB'000
Segment assets	3,695,766	460,996	1,209,144	182,284	5,548,190
Associates	5,339	—	35,887	6,805	48,031
Total segment assets	3,701,105	460,996	1,245,031	189,089	5,596,221
Unallocated assets					59,552
Total assets					5,655,773
Segment liabilities	1,336,883	32,835	541,673	88,120	1,999,511
Unallocated liabilities					76,191
Total liabilities					2,075,702
Capital expenditure	532,503	35,848	112,604	6,861	687,816

(c) Secondary reporting segment — geographical segments

As all of the Group's activities are conducted in the PRC, no analysis by geographical segment is presented as virtually all of the Group's turnover 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.

29. DISCONTINUED OPERATIONS

As explained in note 1.1 (b), Discontinued Operations represented the Discontinued Businesses which were operated by certain subsidiaries and a jointly controlled entity in the PRC.

The operating results and cash flows of the Discontinued Operations are as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Operating results		
Revenues	—	145,755
Other gains — net	—	287
Expenses	—	(138,041)
Operating profit	—	8,001
Finance costs	—	(182)
Share of results of associates	—	507
Profit before income tax	—	8,326
Income tax expense	—	(1,967)
Profit for the year	—	6,359
Cash flows		
Operating cash outflows	—	(18,831)
Investing cash inflows	—	3,216
Financing cash outflows	—	(7,654)
Net cash outflows from discontinued operations	—	(23,269)

(All amounts in Renminbi thousands unless otherwise stated)

29. DISCONTINUED OPERATIONS (Continued)

The assets and liabilities of the Discontinued Operations as at 29 September 2004, the date of distribution, are as follows:

	RMB'000
Property, plant and equipment	166,566
Lease prepayments	5,316
Intangible assets	38
Other non-current assets	14,195
Inventories	29,499
Accounts and notes receivable, net	19,081
Other receivables, prepayments and other current assets	27,795
Cash and cash equivalents	120,594
	383,084
Accounts and bills payable	8,704
Accruals, other payables and other current liabilities	90,157
Taxes payable	972
Non-current liabilities	17,693
	117,526
Net assets in relation to discontinued operations distributed to Xiamen Port Holding (note 27(iii))	265,558

30. OTHER GAINS — NET

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Financial assets at fair value through profit or loss:		
—Fair value gain/losses (realised and unrealised)	**48**	(63)
Loss on partial disposal of investment in a subsidiary	**(1,676)**	—
Gain on dilution of interest in an associate	**455**	—
Gain on disposal of property, plant and equipment and lease prepayments	**278**	4,751
Subsidy income (note (a))	**11,000**	11,000
Compensation income (note (b))	**7,407**	—
Others (note (c))	**12,390**	11,503
	29,902	27,191

(a) Pursuant to Xia Cai Qi [2004] No. 80 issued by Finance Bureau of Xiamen which encourages enterprises in Xiamen to develop the logistic infrastructure of Xiamen, XPD is entitled to an annual subsidy amounting to RMB11,000,000 for 5 years commencing from 2004.

(b) This represents other income received from Noell Crane systems (China) Ltd by Haitian Terminal as the compensation for late delivery of purchased loading machinery.

(c) This consists of material selling income, labour income, railway maintenance service fee and others.

(All amounts in Renminbi thousands unless otherwise stated)

31. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Salaries, wages and bonuses	**208,547**	186,550
Welfare, medical and other expenses	**39,242**	41,854
Contributions to pension plans	**44,182**	41,572
	291,971	269,976
Average number of employees	**4,663**	4,434

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 13% to 36.5% of the employees' monthly salaries and wages, depending on the applicable social security regulations. The Group has no further obligation for payment of retirement and other post-retirement benefits beyond these contributions. Contributions to these pension plans are expensed as incurred.

32. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Auditors' remuneration	**2,566**	1,266
Loss on partial disposal of investment in a subsidiary (note 30)	**1,676**	—
Amortisation of lease prepayments (note 6)	**17,969**	19,234
Amortisation of intangible assets (note 7)	**1,100**	980
Depreciation of property, plant and equipment (note 5)	**119,782**	130,853
Repairs and maintenance	**18,694**	20,722
Operating lease rental in respect of property, plant and equipment	**13,961**	10,220
Cost of inventories consumed (note 13)	**235,670**	193,721
Provision for impairment of receivables	**3,216**	1,349
Reversal of write-down of inventories	**(218)**	(431)

(All amounts in Renminbi thousands unless otherwise stated)

33. FINANCE COSTS

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Interest on bank borrowings	**67,086**	41,651
Less: amounts capitalised	**(31,399)**	(16,623)
	35,687	25,028
Net foreign exchange transaction (gain)/loss	**(10,752)**	51
	24,935	25,079

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rates on such capitalised borrowings for the year ended 31 December 2005 was 5.51% (2004: 5.18%) per annum.

34. 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 (2004: Nil).

Provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 15% (2004: 15%) of the assessable income of each of the companies now comprising the Group during the year as determined in accordance with the relevant PRC income tax rules and regulations except for XICT.

As approved by the relevant tax authorities, XICT is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from the first cumulative profit-making year. XICT's first cumulative profit-making year was 2001. Accordingly, XICT is exempted from income tax for the current and the prior years.

34. TAXATION (Continued)

(a) Income tax expense (Continued)

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

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
PRC current income tax	**66,838**	72,011
Deferred income tax	**4,571**	(285)
	71,409	71,726

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 can be reconciled as follows:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Profit before income tax	**415,202**	365,237
Less: share of results of associates	**(3,768)**	(2,640)
	411,434	362,597
Tax calculated at the statutory tax rate of 15%	**61,715**	54,390
Effect of tax holiday of XICT	**(14,487)**	(8,925)
Additional deductible allowances from purchases of domestic equipment (note 23(a)(i))	**(330)**	(160)
Income not subject to tax	**(75)**	(625)
Expenses not deductible for tax purposes	**20,306**	27,046
Others	**4,280**	—
Income tax expense	**71,409**	71,726

(All amounts in Renminbi thousands unless otherwise stated)

34. TAXATION (Continued)

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

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

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

Certain subsidiaries of the Company are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 7% and 4% of net VAT payable, respectively.

35. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders for the year ended 31 December 2005 are dealt with in the financial statements of the Company to the extent of RMB69,502,000 (2004: RMB471,381,000).

36. DIVIDENDS

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Special dividend payable to parent company (note (a))	**108,402**	—
Dividend paid/payable to parent company/Finance Bureau of Xiamen	**40**	1,000
	108,442	1,000

36. DIVIDENDS (Continued)

(a) In accordance with the "Provision Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment", which was issued by the Ministry of Finance of the PRC and became effective from 27 August 2002, the Company is required to distribute to Xiamen Port Holding the Company's net profit for the period from 1 October 2004 (being the first date after the date of the valuation of the assets of the Company) to 2 March 2005 (being the day immediately prior to the transformation of the Company into a joint stock limited company) (the "Special Period"), determined in accordance with the PRC GAAP (the "Special Dividend"), payable out of the Company's internal resources and/or cash generated from the Company's operating activities (the "Profit Appropriation"). Holders of H shares are not entitled to participate in the distribution arising from the Profit Appropriation.

The Company had engaged Pan-China (Xiamen) Certified Public Accountants to perform a special audit on the Company's financial statements for the Special Period to determine the profit for the Special Period for distribution to Xiamen Port Holding in accordance with the PRC GAAP. According to the audited financial statements for the Special Period, the net profit for the Special Period amounted to RMB108,401,702 and such Special Dividend has been provided as of 31 December 2005.

(b) The directors do not recommend the payment of a final dividend for the year ended 31 December 2005.

37. EARNINGS PER SHARE

Basic earnings per share for profit from continuing operations and discontinued operations for the year ended 31 December 2004 have been computed by dividing the profit attributable to equity holders of RMB232,712,000 by 1,756,000,000 shares issued and outstanding as at 3 March 2005 upon transformation of the Company into a joint stock limited company, as if such shares had been outstanding for the year presented.

Basic earnings per share on profit for the year ended 31 December 2005 have been computed by dividing the profit attributable to equity holders of the Company of RMB243,554,000 by weighted average of 1,826,898,630 shares issued and outstanding as at 31 December 2005.

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

(All amounts in Renminbi thousands unless otherwise stated)

38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors', supervisors' and senior management's emoluments

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Directors and supervisors		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,820**	2,154
Contributions to pension plans	**105**	147
Discretionary bonuses	**1,358**	1,453
Senior management		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**343**	123
Contributions to pension plans	**30**	14
Discretionary bonuses	**253**	72
	3,909	3,963

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

38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

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

(i) *Year ended 31 December 2005*

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and Supervisors				
Zeng Yingguo	301	15	308	624
Chen Dingyu	239	15	228	482
Lin Kaibiao	190	15	190	395
Huang Zirong	207	15	199	421
Fang Yao	223	15	217	455
Ke Dong	171	15	216	402
Wu Jianliang	99	15	—	114
Zheng Yongen	40	—	—	40
Fu Chengjing	40	—	—	40
Miao Luping	40	—	—	40
Huang Shizhong	40	—	—	40
Zhen Hong	40	—	—	40
Hui Wang Chueng	90	—	—	90
Fang Zuhui	25	—	—	25
Luo Jianzhong	25	—	—	25
Tang Jinmu	25	—	—	25
He Shaoping	25	—	—	25
	1,820	105	1,358	3,283
Senior management				
Hong Lijuan	195	15	147	357
Lu Jianwei	148	15	106	269
	343	30	253	626
	2,163	135	1,611	3,909

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

(ii) *Year ended 31 December 2004*

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and Supervisors				
Zeng Yingguo	251	14	153	418
Dai Huiwang	166	11	135	312
Zheng Yong'en	166	11	135	312
Chen Dingyu	221	14	135	370
Cao Chengbin	221	14	135	370
Fu Chengjing	130	8	112	250
Hong Lijuan	151	14	90	255
Lin Kaibiao	171	14	103	288
Huang Zirong	179	14	152	345
Fang Zuhui	166	11	101	278
Luo Jianzhong	166	11	101	278
Yan Tengyun	166	11	101	278
	2,154	147	1,453	3,754
Senior management				
Lu Jianwei	123	14	72	209
	2,277	161	1,525	3,963

38. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

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

	Year ended 31 December	
	2005	2004
Directors and supervisors		
Nil to HK$1,000,000 (equivalent to RMB1,060,000)	**17**	12
Senior management		
Nil to HK$1,000,000 (equivalent to RMB1,060,000)	**2**	1

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the current and the prior year are all directors whose emoluments have been included in note 38(a) above.

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

39. Notes to consolidated cash flow statements

(a) Reconciliation of profit for the year to net cash generated from operations:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Profit for the year	**343,793**	299,870
Adjustments for:		
— Income tax	**71,409**	73,693
— Share of results of associates	**(3,768)**	(3,147)
— Depreciation charges	**119,782**	139,172
— Amortisation of lease prepayments	**17,969**	19,393
— Amortisation of intangible assets	**1,100**	982
— Gain on disposal of property, plant and equipment and lease prepayments	**(278)**	(2,918)
— Fair value (gain)/loss	**(48)**	63
— Loss on partial disposal of interest in a subsidiary	**1,676**	—
— Gain on dilution of interest in an associate	**(455)**	—
— Reversal of write-down of inventories	**(218)**	(431)
— Provision for/(reversal of) impairment of receivables	**3,216**	(2,986)
— Dividend income	**(1,598)**	(6,800)
— Interest income	**(10,494)**	(11,230)
— Interest expense	**35,687**	25,210
— Unrealised foreign exchange (gain)/loss	**(8,006)**	331
Changes in working capital:		
— Accounts and notes receivable, net	**(17,388)**	(89,443)
— Other receivables, prepayments and other current assets	**144,313**	(355,139)
— Inventories	**(15,573)**	(3,094)
— Accounts and bills payable	**104,901**	50,076
— Accruals, other payables and other current liabilities	**(107,188)**	154,100
Net cash generated from operations	**678,832**	287,702

39. Notes to consolidated cash flow statements (Continued)

(b) The principal non-cash transactions for the year ended 31 December 2004 include the distribution of the Disposed Items to Xiamen Port Holding on 29 September 2004, details of which are set out in note 27(iii).

40. COMMITMENTS

(a) Capital commitments

(i) *The Group*

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
— the Group	**194,267**	510,386
— a jointly controlled entity	**11,805**	16,960
	206,072	527,346

Capital commitments as at 31 December 2005 represent mainly the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machinery, acquisitions of vessels and renovation of buildings. These commitments were entered into by the Group with its suppliers as at 31 December 2005 and such capital expenditure had not been incurred as at that date.

The capital commitments of the Group are to be settled as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Not later than 1 year	**200,414**	426,654
Later than 1 year and not later than 5 years	**5,658**	100,692
	206,072	527,346

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

40. COMMITMENTS (Continued)

(a) Capital commitments (Continued)

(ii) *The Company*

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for	**164,085**	396,519

The capital commitments of the Company are to be settled as follows:

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Not later than 1 year	**158,427**	329,151
Later than 1 year and not later than 5 years	**5,658**	67,368
	164,085	396,519

(b) Operating lease commitments — The Group

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

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Not later than 1 year	**11,312**	8,427
Later than 1 year and not later than 5 years	**12,804**	13,169
	24,116	21,596

41. CONTINGENT LIABILITIES

As of 31 December 2005 and 2004, the Group and the Company have no significant contingent liabilities.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Company is controlled by Xiamen Port Holding, the parent company, which is in turn subject to the control of the PRC government.

In accordance with HKAS 24 "Related Party Disclosure", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the 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, including other state-owned enterprises, during the year and balances arising from significant related party transactions for the year ended 31 December 2005.

(All amounts in Renminbi thousands unless otherwise stated)

42. Significant related party transactions (Continued)

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

		Year ended 31 December	
		2005	2004
	Note	**RMB'000**	RMB'000
Transaction with Finance Bureau of Xiamen			
Other gain — net			
Subsidy income	(i)	**11,000**	11,000
Transactions with the parent company			
Revenue			
Railway maintenance services fee	(ii)	**1,080**	270
Electrical equipment maintenance	(iii)	**1,134**	358
Expense			
Operating lease in respect of land and office premises	(iv)	**4,857**	175
Comprehensive services fee	(v)	**16,058**	4,125
Others			
Transfer of non-current assets held for sale (note 17)		**51,500**	—
Acquisition of lease prepayments	(vi)	**24,037**	—
Purchase of property, plant and equipment	(vi)	**1,220**	—
Disposal of buildings and lease prepayments	(vii)	**1,387**	—
Transactions with fellow subsidiaries			
Revenue			
Loading and unloading services rendered	(viii)	**520**	1,739
Electrical equipment maintenance	(iii)	**4,202**	339
Expense			
Office and property management	(ix)	**5,588**	1,725
Operating lease in respect of land and office premises	(iv)	**1,788**	—
Labour services	(x)	**21,017**	3,780
Other			
Purchase of property, plant and equipment	(xi)	**26,123**	—
Construction project management	(xii)	**3,574**	—

42. Significant related party transactions (Continued)

	Note	Year ended 31 December 2005 RMB'000	2004 RMB'000
Transactions with other state-owned enterprises			
Revenue			
Electrical equipment maintenance	(iii)	**2,257**	2,743
Loading and unloading services rendered	(viii)	**173,883**	153,799
Port ancillary services rendered	(viii)	**27,221**	43,422
Sales of building materials	(viii)	**80,779**	127,188
Interest income from bank deposits		**10,494**	10,754
Expense			
Purchase of goods and raw materials	(xiii)	**46,279**	23,318
Fuel charges		**64,961**	42,456
Interest expenses paid to state-owned banks		**63,053**	40,749
Other			
Purchase of property, plant and equipment	(xiv)	**593,994**	626,672

(i) XPD is entitled to annual subsidy amounting to RMB11,000,000 from Finance Bureau of Xiamen for 5 years commencing from 2004 pursuant to Xia Cai Qi [2004] Document No. 80.

(ii) The railway maintenance service is provided by XPD to Xiamen Port Holding in accordance with the railway concession agreement. The railway line is specialised in transportation of containers and cargos from Dongdu terminal to the city's railway station and provides freight forwarding services for container and cargos handled at Dongdu terminal. The maintenance services fee is charged by XPD at a fixed rate of RMB1,080,000 per year.

42. Significant related party transactions (Continued)

(iii) Xiamen Port Power Supply Co., Ltd. provides electrical equipment maintenance services for the relevant facilities and devices for Xiamen Port Holding and fellow subsidiaries. The transactions are conducted in accordance with agreement entered into with the related parties.

(iv) Operating lease in respect of land and office premises was negotiated between the parties by reference to prevailing market rate at the time and the operating lease was determined based on the terms stipulated in a lease agreement entered into between the parties involved.

(v) The comprehensive services fee provided by Xiamen Port Holding to the Group are determined by reference to the prevailing market price pursuant to comprehensive services agreement dated 1 August 2004.

(vi) The acquisition of lease prepayments and purchase of property, plant and equipment mainly represent the acquisition cost for the land use right of a land located in Dongdu area and a building on this land to Xiamen Port Holding. The terms and condition are in accordance with the agreement entered by both parties.

(vii) The disposal of buildings and lease prepayments mainly represent the disposal of the land use right of a land located in Dongdu area and a building on this land to Xiamen Port Holding by the Group. The terms and condition are in accordance with the agreement entered by both parties.

(viii) The loading and unloading services rendered, port ancillary services rendered, sales of building materials to the related parties were carried out on terms that are mutually agreed by both contract parties.

(ix) Certain subsidiaries of the Company have engaged Xiamen Port Property Management Co., Ltd. to provide office and property management services for their office premises occupied. The relevant management service fees are negotiated by the parties concerned with reference to prevailing market rates at the time.

(x) The related labour services are provided by Xiamen Port Labour Services Co., Ltd. and Xiamen Port Hailongchang International Freight Co., Ltd. to the Group. The terms and condition are stipulated in Master Labour Service Agreement entered into between those parties involved.

42. Significant related party transactions (Continued)

(xi) The purchase of property, plant and equipment is the expenditure to Xiamen Port Engineering Co., Ltd. for berth construction services, building construction services and other related port engineering services. Charges for those services are determined according to: (a) state-prescribed price; (b) where there is no state-prescribed price, the comparable local market price; (c) where there is no comparable local market price, the rates negotiated by the parties drawing reference to the customary charge rates set by Xiamen Port Holding Group and applied to third parties; and (d) where the project is subject to public bidding, the pricing principle established during the bidding.

(xii) The project management service is provided by Xiamen Port Development and Construction Co., Ltd, for project management on the construction of berths or other port-related facilities and infrastructure to the subsidiaries of the Group. The price is mutually agreed by the parties involved.

(xiii) The consideration paid and the terms mutually agreed by the parties involved.

(xiv) The purchase of property, plant and equipment from other state-owned enterprise is mainly consist of buildings, port infrastructure, storage infrastructure, loading and other machinery, vehicles, vessels, furniture, fittings and equipments and construction-in-progress, which was conducted at terms that are mutually agreed by the parties involved.

42. Significant related party transactions (Continued)

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

	Note	As at 31 December 2005 RMB'000	2004 RMB'000
Balances with Finance Bureau of Xiamen			
Accruals, other payables and other current liabilities	(i)	**—**	182,500
Dividend paid		**—**	1,000
Balances with the parent company			
Other receivables	(ii)	**1,080**	169,597
Accruals, other payables and other current liabilities	(iii)	**3,727**	76,100
Special dividend payable	36(a)	**108,402**	—
Dividend payable		**40**	—
Balances with fellow subsidiaries			
Accounts receivable	(iv)	**3,072**	1,274
Other receivables	(iv)	**4,656**	1,880
Accounts payable	(iv)	**5,960**	3,527
Accruals, other payables and other current liabilities	(iv)	**1,528**	7,535
Balances with other related parties			
Accruals, other payables and other current liabilities	(v)	**73,472**	80,404
Balances with other state-owned enterprise			
Restricted cash	(vi)	**48,815**	27,621
Term deposits with initial term of over three months	(vi)	**184,411**	82,774
Cash and cash equivalent	(vi)	**1,099,589**	482,847
Accounts receivable		**75,301**	89,430
Other receivables, prepayments and other current assets		**12,784**	29,972
Accounts payable		**15,892**	18,729
Accruals, other payables and other current liabilities		**130,884**	31,357
Borrowings	(vii)	**830,449**	832,000

42. Significant related party transactions (Continued)

(i) The balance represents an interest-free loan granted by Finance Bureau of Xiamen, to XPD. The amount was fully repaid by 9 December 2005.

(ii) The balance is the railway maintenance service fee receivable from Xiamen Port Holding by XPD in accordance with the railway concession service agreement (note 15(a)(iii)).

(iii) The balance consists of employee benefit expense paid on behalf of the Company by Xiamen Port Holding and operating lease expense payable to Xiamen Port Holding based on the terms stipulated in lease agreement entered into between the parties involved.

(iv) These balances are unsecured, interest free and have no fixed terms of repayment.

(v) The balance refers to port construction fee collected on behalf of Xiamen Municipal Port Authority from consignor.

(vi) These balances included restricted cash, cash and cash equivalents and term deposits with state-owned banks and financial institutions.

(vii) These balances are the current and non-current bank borrowings entered with state-owned banks and financial institutions.

(c) Key management compensation:

	Year ended 31 December	
	2005	2004
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,163**	2,277
Contributions to pension plans	**135**	161
Discretionary bonuses	**1,611**	1,525
	3,909	3,963

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES

(a) Subsidiaries

As at 31 December 2005, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Date and Place of establishment	Type of legal entity	Issued share/ paid-in capital 2005 (RMB'000)	Issued share/ paid-in capital 2004 (RMB'000)	Attributable equity interests 2005 Directly held	Attributable equity interests 2005 Indirectly held	Attributable equity interests 2004 Directly held	Attributable equity interests 2004 Indirectly held	Principal activities
Listed									
Xiamen Port Development Co., Ltd. ("XPD")	Xiamen, the PRC, 21 April 1999	Joint stock limited company	295,000	295,000	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.	Xiamen, the PRC, 22 August 1996	Limited liability company	30,000	30,000	—	33.08%	—	33.08%	Shipping agency services for international vessels
Xiamen Waili Tally Co.,Ltd. (formerly known as China Ocean Shipping Tally Company Xiamen Branch)	Xiamen, the PRC, 11 October 1982	Limited liability company	17,000	500	—	47.41%	—	55.13%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd. (formerly known as Xiamen Port Shipping Company)	Xiamen, the PRC, 28 June 1994	Limited liability company	25,000	25,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Haicang Port Co., Ltd.	Xiamen, the PRC, 10 November 1995	Limited liability company	120,000	120,000	70%	—	70%	—	Cargo stevedoring and barging

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES (Continued)

(a) Subsidiaries (Continued)

Name	Date and Place of establishment	Type of legal entity	Issued share/ paid-in capital 2005 (RMB'000)	2004 (RMB'000)	Attributable equity interests 2005 Directly held	2005 Indirectly held	2004 Directly held	2004 Indirectly held	Principal activities
Unlisted (Continued)									
Xiamen Port Logistics Co., Ltd.	Xiamen, the PRC, 4 August 1997	Limited liability company	65,000	31,580	—	55.26%	—	55.35%	Container deposit, land transport, international freight agency
Xiamen Haitian Container Terminals Co., Ltd.	Xiamen, the PRC, 14 March 2002	Limited liability company	200,000	200,000	85%	8.29%	85%	8.30%	Container loading and unloading for international trade
Xiamen Port (Group) Domestic Shipping Agent Co., Ltd.	Xiamen, the PRC, 19 October 1998	Limited liability company	2,000	2,000	—	44.10%	—	44.10%	Shipping agency services for domestic trade
Xiamen Port Power Supply Service Co., Ltd.	Xiamen, the PRC, 23 July 2003	Limited liability company	10,000	10,000	80%	18.66%	80%	18.66%	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Xiamen, the PRC, 24 October 1995	Limited liability company	20,000	20,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials
Xiamen Jinluqiao Raw Materials Co., Ltd.	Xiamen, the PRC, 26 March 1997	Limited liability company	10,000	10,000	—	43.99%	—	43.99%	Processing, sales and warehousing of stone materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.	Xiamen, the PRC, 28 July 1995	Limited liability company	6,000	6,000	—	33.08%	—	33.08%	Agency services for import and export of products/technology, international and domestic agency services

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES (Continued)

(a) Subsidiaries (Continued)

Name	Date and Place of establish-ment	Type of legal entity	Issued share/ paid-in capital 2005 (RMB'000)	2004	Attributable equity interests 2005 Directly held	2005 Indirectly held	2004 Directly held	2004 Indirectly held	Principal activities
Unlisted (Continued)									
Xiamen Penavico Navigation Co., Ltd.	Xiamen, the PRC, 16 July 1996	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd.	Xiamen, the PRC, 12 May 1998	Limited liability company	1,800	1,800	—	33.08%	—	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd.	Xiamen, the PRC, 20 March 2003	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.	Xiamen, the PRC, 8 August 2003	Limited liability company	5,000	5,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Xiamen, the PRC, 14 December 2004	Limited liability company	5,000	5,000	—	55.25%	—	55.33%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Xiamen, the PRC, 20 December 1991	Limited liability company	6,630	6,630	50%	27.63%	50%	27.68%	Repair, maintenance, cleaning and renovation of containers
Xiamen Dongling Terminal Co., Ltd.	Xiamen, the PRC, 25 December 1990	Sino-foreign equity joint venture	4,000	4,000	—	41.45%	—	41.51%	Container loading and unloading, storage and other port-related businesses

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES (Continued)

(b) Jointly controlled entity

As at 31 December 2005, the Group has interest in the following jointly controlled entity:

Name	Date and Place of establishment	Paid-in capital 2005 (RMB'000)	Paid-in capital 2004 (RMB'000)	Proportion of ownership held by the Group 2005	Proportion of ownership held by the Group 2004	Principal activities
Xiamen International Container Terminals Ltd.	Xiamen, the PRC, 4 March 1997	1,148,700	1,148,700	51%	51%	Container loading and unloading for international trade

(c) Associates

As at 31 December 2005, the Group has interests in the following associates:

Name	Date and Place of establish-ment	Type of legal entity	Issued share/ paid-in capital 2005 (RMB'000)	Issued share/ paid-in capital 2004 (RMB'000)	Attributable equity interests 2005	Attributable equity interests 2004	Principal activities
Unlisted							
Dong Ling Work & Service Co., Ltd.	Xiamen, the PRC, 17 January 1996	Limited liability company	—	500	—	25%	Provision of cargo loading and unloading services
Xiamen Penavico Tungya Logistics Co., Ltd.	Xiamen, the PRC, 12 December 2001	Sino-foreign cooperative joint venture	18,000	18,000	35.7%	35.7%	Provision of storage services
Quanzhou Qing Meng logistics Co., Ltd.	Xiamen, the PRC, 11 March 2003	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services

(All amounts in Renminbi thousands unless otherwise stated)

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES (Continued)

(c) Associates (Continued)

Name	Date and Place of establish-ment	Type of legal entity	Issued share/ paid-in capital 2005 (RMB'000)	2004	Attributable equity interests 2005	2004	Principal activities
Unlisted (Continued)							
Xiamen Sandeli Container Storage Co., Ltd.	Xiamen, the PRC, 2 September 1996	Limited liability company	10,000	10,000	45%	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Harbour Lurong Water-and-Railway Coordinated Transportation Co., Ltd.	Xiamen, the PRC, 12 September 1996	Limited liability company	500	500	48%	48%	Provision of railway cargo transportation and agency services
Xiamen Electronic Commerce Centre Co., Ltd.	Xiamen, the PRC, 13 August 1999	Joint stock limited company	15,000	15,000	45%	45%	Development of Xiamen logistics information system and electronic commerce platform
Xiamen Road and Bridge Concrete Engineering Corporation Ltd. (note (i))	Xiamen, the PRC, 2 September 2003	Limited liability company	40,000	20,000	15%	30%	Production and sale of concrete engineering construction

The operations of the principal subsidiaries, jointly controlled entity and associates are principally located in Xiamen, the PRC.

43. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES (Continued)

(c) Associates (Continued)

Except for XPD which is listed company in the PRC, all subsidiaries, jointly controlled entitiy and associates are private companies have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, jointly controlled entity and the associates referred to in this report represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

(i) The decrease in the Group's equity interests in Xiamen Road and Bridge Concrete Engineering Corporation Ltd. ("XRBCEC") from 30% to 15% is mainly due to the capital injection by the majority shareholder. The directors consider that the Group has significant influence over XRBCEC through its representatives on the board of directors of XRBCEC.

44. DETAILS OF TRANSFER-OUT ASSETS AND COMPANIES, BRIDGES AND OTHER BUSINESSES AND XPD RETAINED BUSINESSES

(a) Transfer-out Assets and Companies

Transfer-out Assets and Companies comprise:

(i) assets and liabilities of Xiamen Port Development Co., Ltd. Dongdu Branch ("Dongdu Branch");

(ii) 60% equity interests in China Ocean Shipping Agency (Xiamen) Co., Ltd.;

(iii) 100% equity interests in Xiamen Waili Tally Co., Ltd. (formerly known as China Ocean Shipping Tally Company Xiamen Branch);

(iv) 95% equity interests in Xiamen Port Logistics Co., Ltd. ("Logistics Co.");

(v) 90% equity interests in Xiamen Port Shipping Co., Ltd.;

(vi) 80% equity interests in Xiamen Port (Group) Domestic Shipping Agent Co., Ltd.;

44. DETAILS OF TRANSFER-OUT ASSETS AND COMPANIES, BRIDGES AND OTHER BUSINESSES AND XPD RETAINED BUSINESSES (Continued)

(a) Transfer-out Assets and Companies (Continued)

(vii) 48% equity interests in Xiamen Harbour Lurong Water-and-Railway Coordinated Transportation Co., Ltd.; and

(viii) Land use rights of approximately 521,000 square meters occupied by Dongdu Branch and Logistics Co.

A summary of carrying value of assets and liabilities of the Transfer-out Assets and Companies as at 31 July 2004, the date of Asset Swap, is set out as follows:

	RMB'000 (unaudited)
Cash and cash equivalents	414,167
Inventories	7,375
Accounts and notes receivable, net	282,149
Other receivables, prepayments and other current assets	32,560
Investments in other Group's subsidiaries	43,139
Investments in associates	32,914
Available-for-sale financial assets	5,025
Property, plant and equipment	501,949
Lease prepayments occupied by Dongdu Branch and Logistics Co.	337,972
Lease prepayments — other	5,887
Intangible assets	573
Deferred income tax assets	1,834
Borrowings	(17,000)
Accounts and bills payable	(366,786)
Accruals, other payables and other current liabilities	(169,967)
Taxes payable	(15,240)
Non-current liabilities	(65,591)
	1,030,960

44. DETAILS OF TRANSFER-OUT ASSETS AND COMPANIES, BRIDGES AND OTHER BUSINESSES AND XPD RETAINED BUSINESSES (Continued)

(a) Transfer-out Assets and Companies (Continued)

Profit of the Transferred-out Assets and Companies for the seven months ended 31 July 2004 and for the five months ended 31 December 2004 amounted to RMB75,819,000 and RMB47,553,000 respectively.

(b) Bridges and Other Businesses

Bridges and Other Businesses comprise:

(i) assets and related liabilities associated with Xiamen Bridge and Haicang Bridge;

(ii) 95% equity interests in Xiamen Luqiao Logistic Co.;

(iii) 70% equity interests in Xiamen Real Estate Development Co.; and

(iv) 40% equity interests in Xiamen Tourism Development Co.

(c) XPD Retained Businesses

XPD Retained Businesses comprise:

(i) 95% equity interests in Xiamen Road and Bridge Building Material Corporation Ltd.;

(ii) 3.27% equity interests in Tiantong Securities Co., Ltd.;

(iii) 0.24% equity interests in Zhongxin Securities Co., Ltd.; and

(iv) 0.24% equity interests in Shenzhen Citic United Venture Capital Co., Ltd.

Xiamen Road and Bridge Building Material Corporation Ltd. is engaged in manufacturing, processing and selling of building materials. Equity interests in other three companies represent available-for-sale financial assets.

(All amounts in Renminbi thousands unless otherwise stated)

44. DETAILS OF TRANSFER-OUT ASSETS AND COMPANIES, BRIDGES AND OTHER BUSINESSES AND XPD RETAINED BUSINESSES (Continued)

(c) XPD Retained Businesses (Continued)

A summary of carrying value of assets and liabilities of XPD Retained Businesses as at 31 July 2004, the date of Asset Swap, is set out as follows:

	RMB'000 (unaudited)
Cash and cash equivalents	15,560
Inventories	43,531
Accounts and notes receivable, net	56,296
Other receivables, prepayments and other current assets	9,027
Investment in associates	5,975
Available-for-sale financial assets	59,638
Property, plant and equipment	34,715
Intangible assets	135
Borrowings	(3,000)
Accounts and bills payable	(56,568)
Accruals, other payables and other current liabilities	(26,494)
Taxes payable	(918)
	137,897

45. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES INCLUDED IN THE DISPOSED ITEMS

A summary of net asset value of assets and liabilities of the Disposed Items as at 30 September 2004 is set out in note 27(iii).

The subsidiaries, jointly controlled entity and associates of the Group which are included in the Disposed Items are set out below:

Name	Place of establishment, type of legal entity and date of establishment	Paid-in capital (RMB'000)	Interest held by the Group as at 29 September 2004	Principal activities
Subsidiaries				
Xiamen Port (Group) Shihushan Terminal Co., Ltd.	Xiamen, the PRC, limited liability company, 14 January 2002	40,000	100%	Stevedoring of coal and bulk and general cargo
Xiamen Port Heping Tourism and Passenger Transport Co., Ltd.	Xiamen, the PRC, limited liability company, 4 February 2002	10,000	100%	Passenger and cargo transport on sea, passenger transport berthing, tourism on sea within the port and retail of duty-free goods
Xiamen Gaoqi Harbour Service Company	Xiamen, the PRC, state-owned enterprise, 9 October 1993	1,224	100%	Cargo stevedoring and carrying, storage as well as truck freight and freight agency
Xiamen Port Engineering Company	Xiamen, the PRC, state-owned enterprise, 19 June 1989	20,004	100%	Engineering, construction and maintenance of berths and other non-port related facilities; cleaning and maintenance of voyage channel; equipment installation services

Notes to the consolidated financial statements

(All amounts in Renminbi thousands unless otherwise stated)

45. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES INCLUDED IN THE DISPOSED ITEMS (Continued)

Name	Place of establishment, type of legal entity and date of establishment	Paid-in capital (RMB'000)	Interest held by the Group as at 29 September 2004	Principal activities
Subsidiaries (Continued)				
Xiamen Port Property Management Co., Ltd.	Xiamen, the PRC, limited liability company, 11 February 1999	2,000	100%	Real estate management, and logistical services; distribution beverage and food
Xiamen Port Labour Services Co., Ltd.	Xiamen, the PRC, limited liability company, 5 November 2001	3,750	100%	Provision of loading and unloading labour services
Xiamen Haide Ship Dismantling Co., Ltd.	Xiamen, the PRC, limited liability company, 24 July 2001	4,490	100%	Provision of liquid chemical storage facilities and premises
Xiamen Port Development and Construction Co., Ltd.	Xiamen, the PRC, limited liability company, 1 July 1996	18,000	100%	Construction management and consultancy services
Xiamen Port (Group) Gaoqi Joint-Inspection Zone Development Co., Ltd.	Xiamen, the PRC, limited liability company, 25 August 1995	5,000	100%	Custom supervised freight storage, import and export trading agency, and property lease and logistical services
Shia Ning Shipping Co., Ltd.	Xiamen, the PRC, limited liability company, 27 July 1993	1,000	80%	Transportation fee settlement agency services
Xiamen Reefer Container Engineering Co., Ltd.	Xiamen, the PRC, limited liability company, 27 February 1998	860	55%	Overhauling of refrigerator container, treatment of container body, port mechanical maintenance; ironware producing; technical services for refrigerator set and port equipment

45. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES INCLUDED IN THE DISPOSED ITEMS (Continued)

Name	Place of establishment, type of legal entity and date of establishment	Paid-in capital (RMB'000)	Interest held by the Group as at 29 September 2004	Principal activities
Subsidiaries (Continued)				
Xiamen Xinggang Real Estate Development Co., Ltd.	Xiamen, the PRC, state-owned enterprise, 10 April 1993	6,000	100%	Real estate sales
Xiamen Liuwudian Terminal Company	Xiamen, the PRC, state-owned enterprise, 20 November 1989	6,152	100%	Port stevedoring, storage and tallying
Xiamen Port Hailongchang International Freight Co., Ltd.	Xiamen, the PRC, limited liability company, 27 November 1996	1,000	100%	Provision of loading and unloading labour services
Xiamen Haihangshun Transportation Co., Ltd.	Xiamen, the PRC, limited liability company, 6 December 2001	1,680	52.9%	Vehicle transport of industrial gas and chemical raw materials
Xiamen Port-building Industrial and Trade Co., Ltd.	Xiamen, the PRC, limited liability company, 6 December 2001	500	80%	Wholesale and retail of electromechanical appliance and construction materials
Xiamen Port Gaoqi Ship Repairing Factory	Xiamen, the PRC, State-owned Enterprise, 23 September 1989	1,150	100%	Premises lease
Xiamen Port (Group) South Travel Service Co., Ltd.	Xiamen, the PRC, limited liability company, 6 September 1999	990	100%	Domestic travel, travel transport, hotel and meal

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(All amounts in Renminbi thousands unless otherwise stated)

45. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES INCLUDED IN THE DISPOSED ITEMS (Continued)

Name	Place of establishment, type of legal entity and date of establishment	Paid-in capital (RMB'000)	Interest held by the Group as at 29 September 2004	Principal activities
Subsidiaries (Continued)				
Sanming Imports and Exports Customs Clearance Centre Co., Ltd.	Xiamen, the PRC, limited liability company, 23 June 1999	100	81.97%	Custom clearance ancillary services (storage and handling of goods carried by road transportation) in Sanming City
Xiamen Shihushan Stevedoring Company	Xiamen, the PRC, 25 February 1993	740	100%	Provide work service for stevedoring company; agency of cargo transportation
Jointly controlled entity				
Xiamen Haicang Jinding Wharf Co., Ltd.	Xiamen, the PRC, limited liability company, 27 November 1996	4,000	50%	Port business; storage and wholesale; metal materials and building materials
Associates				
Xiamen Port Electromechanic Engineering Co., Ltd.	Xiamen, the PRC, limited liability company, 13 December 1999	5,000	49%	Producing, maintenance and sale of port mechanic equipment; maintenance and alteration of container; installation of electro-mechanic equipment
Zhangzhou Haida Shipping Co., Ltd.	Xiamen, the PRC, limited liability company, 31 August 1994	50,000	27%	Ferry transport of passengers and vehicles; coastal passenger and goods transport; wharf stevedoring, storage, parking lot, freight agent and related services

45. PARTICULARS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES INCLUDED IN THE DISPOSED ITEMS (Continued)

The operations of the above subsidiaries, jointly controlled entity and associates are principally located at Xiamen, the PRC.

The English names of certain subsidiaries, jointly controlled entity and associates referred to in the above represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

46. PARENT COMPANY

The Directors regard Xiamen Port Holding as being the parent company of the Company.

47. SUBSEQUENT EVENTS

(a) At the shareholder's meeting held on 28 December 2005, a resolution was passed to voluntarily liquidate Xiamen Jinluqiao, a 84% owned subsidiary of Xiamen Road & Bridge Building Materials commencing from 1 January 2006. As at 1 January 2006, Xiamen Jinluqiao has put into the voluntary liquidation process and the liquidation process is expected to be completed by 30 June 2006. As at 31 December 2005, the net asset value of Xiamen Jinluqiao amounted to RMB11,512,522. The directors are of the opinion that the liquidation of Xiamen Jinluqiao will not have any significant financial impact to the Group.

(b) On 3 January 2006, the Company allotted and issued 117,000,000 additional H shares at the offer price of HK$1.38 per H shares as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H shares. Xiamen Port Holding has also transferred 11,700,000 domestic shares of the Company to NCSSF, and NCSSF entrusted the Company to sell the 11,700,000 shares immediately after the share transfer. The Company converted these shares into H shares and sold them together with the additional H shares.

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(All amounts in Renminbi thousands unless otherwise stated)

47. SUBSEQUENT EVENTS (Continued)

(c) As at 31 December 2005, the Group holds 162,620,000 non-tradable shares of XPD. On 13 April 2006, the Company announced that Xiamen Port Holding, the controlling equity holder of the Company, Huajian Jiaotong, another equity holder of non-tradable shares of XPD, and the Company authorised and entrusted XPD to issue a notice to the holders of XPD's tradable A shares (the "A-Share Equity Holders") for the convocation of a meeting to be held on 22 May 2006 for seeking the approvals from the A-Share Equity Holders in respect of the proposed conversion of XPD's non-tradable shares to become tradable in The Shenzhen Stock Exchange A share market (the "Shares Conversion").

For the Shares Conversion, Xiamen Port Holding and Huajian Jiaotong proposed to compensate the A-Share Equity Holders with cash consideration of RMB9.76 for every 10 XPD tradable A shares being held by them (with an aggregate cash consideration of approximately RMB93 million) and share consideration of 0.3738 share for every 10 XPD tradable A shares being held by them (with an aggregate share transfer of 3,551,100 XPD shares) respectively (the "Share Conversion Scheme"). The Company's equity interest in XPD will remain unchanged upon the completion of the Share Conversion Scheme. The implementation of the Share Conversion Scheme is conditional upon the approvals from the A-Share Equity Holders and the fulfilment of certain condition precedents as set out in the Share Conversion Scheme and further amendment may be required and the Company will issue a further announcement in this respect when necessary.

Pursuant to a letter issued by Xiamen Port Holding dated 26 November 2005, Xiamen Port Holding has undertaken to the Company for the provision, directly and unconditionally, consideration in cash or other acceptable forms to the A-Share Equity Holders and will indemnify the Company if any damages and loss arising from or as a result of the Shares Conversion (the "Undertaking"). In view of the Undertaking, the directors are of the opinion that the Shares Conversion will not have any significant impact to the Group's financial statements.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 18 April 2006.