

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2006

	Note	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	2,891,451	2,786,489
Lease prepayments	3	840,674	849,689
Intangible assets	3	26,349	26,759
Investments in associates		48,834	48,031
Available-for-sale financial assets		85,378	26,154
Deferred income tax assets		32,727	33,398
Total non-current assets		3,925,413	3,770,520
Current assets			
Inventories		87,018	83,667
Accounts and notes receivable, net	5	440,896	360,925
Other receivables, prepayments and other current assets		122,394	106,992
Available-for-sale financial assets		479	854
Derivative financial instrument	6	4,797	—
Term deposits with initial term of over three months		409,711	184,411
Restricted cash		52,462	48,815
Cash and cash equivalents		593,251	1,099,589
Total current assets		1,711,008	1,885,253
Total assets		5,636,421	5,655,773
EQUITY			
Capital and reserves			
Capital	10	2,726,200	2,609,200
Reserves		458,113	246,595
		3,184,313	2,855,795
Minority interests		767,713	724,276
Total equity		3,952,026	3,580,071

Unaudited Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2006

	Note	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	9	779,874	854,648
Early retirement benefit obligations		8,305	9,181
Long-term payables		154,651	145,409
Deferred income tax liabilities		12,763	3,270
Total non-current liabilities		955,593	1,012,508
Current liabilities			
Accounts and notes payable	7	476,648	434,997
Accruals, other payables and other current liabilities	8	196,724	378,835
Special dividend payable to the parent company		—	108,402
Borrowings	9	14,173	81,111
Taxes payable		41,257	59,849
Total current liabilities		728,802	1,063,194
Total liabilities		1,684,395	2,075,702
Total equity and liabilities		5,636,421	5,655,773
Net current assets		982,206	822,059
Total assets less current liabilities		4,907,619	4,592,579

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2006

		Six months ended 30 June	
	Note	2006 RMB'000	2005 RMB'000
Turnover	11	708,058	611,570
Cost of sales		(406,516)	(342,919)
Gross profit		301,542	268,651
Other gains — net		34,011	9,521
Other operating income		2,234	1,469
Selling and marketing expenses		(8,024)	(8,236)
General and administrative expenses		(75,638)	(59,652)
Operating profit	12	254,125	211,753
Finance costs	13	(5,491)	(19,011)
Share of results of associates		2,784	942
Profit before income tax		251,418	193,684
Income tax expense	14	(45,290)	(38,447)
Profit for the period		206,128	155,237
Attributable to:			
Equity holders of the Company		146,527	105,817
Minority interests		59,601	49,420
		206,128	155,237
Special dividend payable to the parent company	15	—	108,402
Dividends	15	—	40
Earnings per share attributable to the equity holders of the Company			
— Basic and diluted (in RMB cents)	16	5.38	5.98

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Six months ended 30 June				
	Attributable to equity holders of the Company				Total equity
	Capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Minority interests RMB'000	
Balance at 1 January 2006	2,609,200	(153,951)	400,546	724,276	3,580,071
Fair value gain on available-for-sale financial assets	—	27,753	—	22,587	50,340
Profit for the period	—	—	146,527	59,601	206,128
Disposal of interest in a subsidiary	—	—	—	(1,778)	(1,778)
Profit appropriation	—	17,384	(17,384)	—	—
Conversion of domestic shares into 11,700,000 H shares (note 10(e))	(11,700)	—	—	—	(11,700)
Issuance of new H shares (note 10(e))	128,700	55,028	—	—	183,728
Share issuance costs	—	(17,790)	—	—	(17,790)
Dividends paid to minority shareholders of subsidiaries	—	—	—	(36,973)	(36,973)
Balance at 30 June 2006	2,726,200	(71,576)	529,689	767,713	3,952,026
Balance at 1 January 2005	500,000	440,450	636,637	654,628	2,231,715
Profit for the period	—	—	105,817	49,420	155,237
Partial disposal of interest in a subsidiary	—	—	—	4,500	4,500
Profit appropriation	—	14,301	(14,301)	—	—
Capitalisation of reserves into share capital upon transformation	1,256,000	(964,540)	(291,460)	—	—
Contribution from domestic equity holder	73,200	16,836	—	—	90,036
Dividends declared	—	(40)	—	—	(40)
Special dividend to the parent company	—	—	(108,402)	—	(108,402)
Dividends paid to minority shareholders of subsidiaries	—	—	—	(14,602)	(14,602)
Share issuance cost	—	(5,297)	—	—	(5,297)
Balance at 30 June 2005	1,829,200	(498,290)	328,291	693,946	2,353,147

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Cash flows from operating activities		
Net cash (used in)/ from operating activities	(8,845)	381,153
Cash flows from investing activities		
Disposal of a subsidiary, net of cash disposed	(5,011)	—
Purchases of property, plant and equipment	(189,840)	(369,922)
Proceeds from disposals of property, plant and equipment	168	755
Purchases of intangible assets or lease prepayments	(112)	(253)
Proceeds from disposal of available-for-sale financial assets	476	54,296
Interest received	11,626	5,345
Dividends received	986	922
Net increase in term deposits with initial term of over three months	(225,300)	(72,643)
Net cash used in investing activities	(407,007)	(381,500)
Cash flows from financing activities		
Proceeds from borrowings	35,381	218,130
Repayments of borrowings	(174,803)	(67,164)
Contribution from domestic equity holders	—	84,738
Net proceeds from issuance of H shares	188,703	—
Special dividends paid to parent company	(108,402)	—
Dividends paid to minority shareholders of subsidiaries	(31,365)	(14,295)
Net cash (used in)/ from financing activities	(90,486)	221,409
Net (decrease)/increase in cash and cash equivalents	(506,338)	221,062
Cash and cash equivalents at beginning of the period	1,099,589	482,847
Cash and cash equivalents at end of the period	593,251	703,909

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

1. General information

Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (collectively 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 and long-term investment holding.

The Company is a joint stock limited company listed on The Stock Exchange of Hong Kong Limited on 19 December 2005. The Group is domiciled in the People's Republic of China (the "PRC") and the address of its registered office is 127, Dongdu Road, Xiamen, the PRC.

This unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 29 August 2006.

2. Basis of preparation and principle accounting policies

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2006 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2005, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005 except that the Group has adopted the following new standards, interpretations and amendments to standards (collectively the "new/revised HKFRSs") which are relevant to the Group's operations and are mandatory for the financial year ending 31 December 2006.

HKAS 19 (Amendment)	Employee Benefits
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 4 and HKAS 39 (Amendment)	Financial Guarantee Contracts
HKFRS Interpretation ("HK(IFRIC)-Int") 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the unaudited condensed consolidated financial statements or result in any significant change in the Group's accounting policies.

The HKICPA has issued several new standards, interpretations and amendments which are not yet effective for the year ending 31 December 2006. The Group has not early adopted of these standards, interpretations and amendments in the unaudited condensed consolidated financial statements but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

3. Capital expenditure

During the six-months period, the capital expenditure of the Group is set out as follows:

	Property, plant and equipment RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book value as at 1 January 2006	2,786,489	849,689	26,759	3,662,937
Additions	168,202	—	112	168,314
Disposals	(114)	—	—	(114)
Depreciation and amortisation charge	(63,126)	(9,015)	(522)	(72,663)
Closing net book value as at 30 June 2006	2,891,451	840,674	26,349	3,758,474
Opening net book value as at 1 January 2005	2,245,042	843,852	27,454	3,116,348
Additions	399,370	165	88	399,623
Disposals	(422)	—	—	(422)
Depreciation and amortisation charge	(61,615)	(9,760)	(456)	(71,831)
Closing net book value as at 30 June 2005	2,582,375	834,257	27,086	3,443,718

4. Investment in a jointly controlled entity

As at 30 June 2006, the Group only had interest in a jointly controlled entity namely Xiamen International Container Terminals Ltd. ("XICT"), an equity joint venture established in the PRC in which the Group holds 51% equity interest but without unilateral control. The Group's interest in XICT is accounted for consistently by proportionate consolidation. The Group's share of assets and liabilities, revenues and results of XICT are set out as follows:

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Assets:		
Non-current assets	620,811	607,298
Current assets	111,630	132,843
	732,441	740,141
Liabilities:		
Current liabilities	81,566	44,600
Net assets	650,875	695,541

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

4. Investment in a jointly controlled entity (Continued)

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Revenues	88,480	84,205
Expenses	(37,524)	(34,479)
Profit before income tax	50,956	49,726
Income tax expense	(3,822)	—
Profit for the period	47,134	49,726

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.

5. Accounts and notes receivable, net

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Accounts receivable	409,815	351,675
Less: provision for impairment	(13,484)	(13,425)
	396,331	338,250
Due from fellow subsidiaries	1,838	3,072
Notes receivable	42,727	19,603
	440,896	360,925

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.

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

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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

5. Accounts and notes receivable, net (Continued)

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

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Less than 6 months	398,280	318,657
6 months to 1 year	16,650	18,489
1 year to 2 years	22,154	19,700
2 years to 3 years	3,812	4,079
	440,896	360,925

6. Derivative financial instrument

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Interest rate swap contract	4,797	—

The notional principal amounts of the outstanding interest rate swap contract at 30 June 2006 is USD12,875,204, equivalent of RMB102,944,981 (31 December 2005: Nil).

The Company's derivatives do not qualify for hedge accounting.

7. Accounts and notes payable

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Accounts payable	314,331	338,459
Due to fellow subsidiaries	7,042	5,960
Notes payable	155,275	90,578
	476,648	434,997

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

7. Accounts and notes payable (Continued)

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

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
With 1 year	470,655	426,214
1 year to 2 years	4,649	7,062
2 years to 3 years	754	43
Over 3 years	590	1,678
	476,648	434,997

8. Accruals, other payables and other current liabilities

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Due to parent company	4,131	3,727
Due to fellow subsidiaries	8,916	1,528
Due to other related parties	14,890	73,472
Salary and welfare payables	51,468	72,921
Customer deposits	40,325	33,242
Payable for purchases of property, plant and equipment and construction-in-progress	14,550	26,856
Accrued expenses	11,409	10,940
Dividend payable to parent company	40	40
Dividend payable to minority shareholders	5,608	—
Other payables	45,387	49,969
Payable for National Council for Social Security Fund	—	106,140
Total	196,724	378,835

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

9. Borrowings

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Unsecured		
Non-current		
Long-term bank borrowings (note (i))	779,874	854,648
Current		
Short-term bank borrowings	—	45,000
Long-term bank borrowings — current portion	14,173	36,111
	14,173	81,111
Total borrowings	794,047	935,759
Representing:		
— unguaranteed	691,102	830,449
— guaranteed (note (ii))	102,945	105,310
Total borrowings	794,047	935,759
Analysed as follows:		
— wholly repayable within five years	127,000	173,000
— not wholly repayable within five years	667,047	762,759
Total borrowings	794,047	935,759

(i) The balances comprise loan of RMB43,827,000 (31 December 2005: RMB35,446,000) which is granted by Huayang Electric Power Co., Ltd. and entrusted through China Construction Bank Co., Ltd. (Zhangzhou Branch). The aforesaid entrusted loan bears interest at the rate of 2.66 % (31 December 2005: 2.66%) per annum.

(ii) As at 30 June 2006, bank borrowings of RMB102,945,000 is guaranteed by China Construction Bank (31 December 2005: RMB105,310,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

9. Borrowings (Continued)

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

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Bank borrowings repayable:		
— within one year	14,173	81,111
— in the second year	23,848	11,838
— in the third to fifth year	201,814	213,754
— after the fifth year	554,212	629,056
	794,047	935,759

Movements of borrowings are set out as follows:

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
At beginning of period	935,759	1,265,373
Additions	35,381	218,130
Repayments	(174,803)	(67,164)
Exchange gain	(2,290)	—
At end of period	794,047	1,416,339

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

10. Capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000 <i>note(d)</i>	Total RMB'000
As at 1 January 2006	1,751,200	858,000	2,609,200
Issuance of new H shares <i>(note (e))</i>	—	117,000	117,000
Conversion of domestic shares to 11,700,000 H shares <i>(note (e))</i>	(11,700)	11,700	—
As at 30 June 2006	1,739,500	986,700	2,726,200

	Registered and paid-in capital RMB'000	Domestic shares of RMB1 each RMB'000	Total RMB'000
At 1 January 2005 <i>(note (a))</i>	500,000	—	500,000
Upon transformation by conversion of the following to domestic shares <i>(note (b))</i>			
— registered and paid-in capital	(500,000)	500,000	—
— reserves	—	1,256,000	1,256,000
Contribution from domestic equity holder <i>(note (c))</i>	—	73,200	73,200
At 30 June 2005	—	1,829,200	1,829,200

- (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.
- (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 Seashine Group Co., Ltd. (formerly known as 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, with a nominal value of RMB 1 each were issued to the public by the way of global offering at offer price of HK\$1.38 each.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

10. Capital (Continued)

- (e) 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 Group Co., Ltd., has transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), and NCSSF entrusted the Company to convert these shares into H shares and sold them together with the additional H shares immediately after the share transfer.
- (f) The domestic shares and H shares rank pari passu in all material respects except that the dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi.

11. Segment information

(a) Primary reporting format — 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.

Segment assets comprise primarily property, plant and equipment, lease prepayments, intangible assets, inventories, receivables and mainly exclude deferred income tax assets, investments in associates and available-for-sale financial assets.

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities.

Capital expenditure comprises mainly additions to property, plant and equipment, lease prepayments and intangible assets.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

11. Segment information (Continued)

(a) Primary reporting format — business segments (Continued)

Segment turnover, results and other segment information

	Six months ended 30 June 2006				
	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
Total gross segment sales	309,023	80,089	211,113	128,136	728,361
Inter-segment sales	—	—	(20,303)	—	(20,303)
Turnover	309,023	80,089	190,810	128,136	708,058
Segment operating profit	165,498	20,563	43,307	8,767	238,135
Other operating income					2,234
Unallocated gain, net					13,756
Operating profit					254,125
Finance costs	(3,137)	—	(2,354)	—	(5,491)
Share of results of associates	—	—	1,547	1,237	2,784
Profit before income tax					251,418
Income tax expense					(45,290)
Profit for the period					206,128
Other information					
Capital expenditure (note 3)	113,261	6,000	40,733	8,320	168,314
Depreciation	32,255	10,577	15,244	5,050	63,126
Amortisation	5,607	2,237	1,673	20	9,537
Provision for/(reversal of) impairment of receivables	(448)	1,049	70	189	860

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

11. Segment information (Continued)

(a) Primary reporting format — business segments (Continued)

Segment turnover, results and other segment information (Continued)

	Six months ended 30 June 2005				
	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
Total gross segment sales	283,852	69,851	204,197	77,956	635,856
Inter-segment sales	—	—	(24,286)	—	(24,286)
Turnover	283,852	69,851	179,911	77,956	611,570
Segment operating profit	141,953	21,308	41,063	4,851	209,175
Other operating income					1,469
Unallocated gain, net					1,109
Operating profit					211,753
Finance costs	(17,036)	—	(1,894)	(81)	(19,011)
Share of results of associates	(42)	—	984	—	942
Profit before income tax					193,684
Income tax expense					(38,447)
Profit for the period					155,237
Other information					
Capital expenditure (note 3)	370,530	3,772	19,097	6,224	399,623
Depreciation	31,728	11,657	15,982	2,248	61,615
Amortisation	5,761	2,924	1,509	22	10,216
Reversal of write-down of inventories	(218)	—	—	—	(218)
Provision for/(reversal of) impairment of receivable	550	(321)	33	(31)	231

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

11. Segment information (Continued)

(a) Primary reporting format — business segments (Continued)

Segment assets and liabilities

	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
As at 30 June 2006					
Segment assets	3,531,855	457,831	1,273,478	205,839	5,469,003
Associates	7,979	—	32,813	8,042	48,834
Available-for-sale financial assets	16,090	—	69,767	—	85,857
	3,555,924	457,831	1,376,058	213,881	5,603,694
Unallocated assets					32,727
Total assets					5,636,421
Segment liabilities	956,289	22,756	529,363	111,756	1,620,164
Unallocated liabilities					64,231
Total liabilities					1,684,395
As at 31 December 2005					
Segment assets	3,695,766	460,996	1,208,290	182,284	5,547,336
Associates	5,339	—	35,887	6,805	48,031
Available-for-sale financial assets	16,090	—	10,918	—	27,008
	3,717,195	460,996	1,255,095	189,089	5,622,375
Unallocated assets					33,398
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

(b) Secondary reporting format — 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

12. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Crediting:		
Dividend income	660	892
Interest income	11,626	5,345
Gain on disposal of property, plant and equipment	54	334
Reversal of write-down of inventories	—	218
Fair value gain derived from derivative financial instrument	4,797	—
Subsidy income	11,300	—
Rental income	1,574	577
Charging:		
Auditors' remuneration	1,874	1,283
Loss on partial disposal of investment in a subsidiary	—	1,676
Amortisation of lease prepayments	9,015	9,760
Amortisation of intangible assets	522	456
Depreciation of property, plant and equipment	63,126	61,615
Repairs and maintenance	7,734	7,716
Operating lease rental in respect of property, plant and equipment	12,368	7,288
Cost of inventories consumed	144,688	94,814
Provision for impairment of receivables	860	231

13. Finance costs

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest on bank borrowings	21,427	32,000
Less: amounts capitalised	(13,598)	(12,998)
	7,829	19,002
Net foreign exchange transaction (gain)/loss	(2,338)	9
	5,491	19,011

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 six months ended 30 June 2006 was 5.43% (same period of 2005: 5.51%) per annum.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

14. Taxation

(a) Income tax expense

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
PRC current income tax	44,009	33,822
Deferred income tax	1,281	4,625
	45,290	38,447

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong for the six months ended 30 June 2006 (same period of 2005: Nil).

Provision for PRC enterprise income tax is calculated based on the income tax rate of 15% (same period of 2005: 15%) of the assessable income of each of the group companies 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, taxation on XICT's estimated assessable profit has been calculated at the rate of 7.5% (same period of 2005: Nil).

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

The Group is 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

15. Dividends

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Special dividend payable to the parent company (<i>note (a)</i>)	—	108,402
Dividend payable to the parent company	—	40
	—	108,442

- (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 Group Co., Ltd., 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 Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC (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 ("Pan-China") 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 Group Co., Ltd., in accordance with the PRC GAAP. According to the financial statements for the Special Period audited by Pan-China, the net profit for the Special Period amounted to RMB108,401,702 and such Special Dividend has been paid during the six months ended 30 June 2006.

- (b) The directors do not recommend the payment of the interim dividend for the six months ended 30 June 2006 (same period of 2005: Nil).

16. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2006	2005
Profit attributable to the equity holders of the Company	146,527,000	105,817,000
Weighted average number of ordinary shares in issue	2,724,250,000	1,768,200,000
Basic earnings per share	RMB5.38 cents	RMB5.98 cents

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive ordinary shares during the current and the prior period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

17. Commitments

(a) Capital commitments

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
— the Group	327,054	194,267
— a jointly controlled entity	44,134	11,805
	371,188	206,072

(b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases on property, plant and equipment amounted to RMB29,552,000 as of 30 June 2006 (31 December 2005: RMB24,116,000).

18. Contingent liabilities

As of 30 June 2006 and 31 December 2005, the Group has no significant contingent liabilities.

19. 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 Group Co., Ltd., ("XPH") 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

19. Significant related party transactions (Continued)

In addition to the related party information shown elsewhere in the unaudited condensed consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the period and balances arising from significant related party transactions for the six months ended 30 June 2006.

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

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Transaction with Finance Bureau of Xiamen		
Other gain — net		
Subsidy income	11,000	—
Transactions with the parent company		
Revenue		
Railway maintenance services fee	540	540
Electrical equipment maintenance	792	58
Expense		
Operating lease in respect of land and office premises	4,603	731
Comprehensive services	9,785	7,854
Others		
Transfer of non-current asset held for sale	—	51,500
Transactions with fellow subsidiaries		
Revenue		
Loading and unloading services rendered	—	446
Electrical equipment maintenance	5	588
Expense		
Office and property management	3,052	3,151
Operating lease in respect of land and office premises	855	855
Labour services	9,768	8,461
Other		
Purchase of property, plant and equipment	3,876	6,803
Construction project management	5,953	—

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

19. Significant related party transactions (Continued)

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Transactions with other state-owned enterprises		
Revenue		
Electrical equipment maintenance	1,844	451
Loading and unloading services rendered	108,022	95,748
Port ancillary services rendered	15,231	8,971
Sales of building materials	26,663	39,811
Interest income from bank deposits	11,626	5,345
Expense		
Purchase of goods and raw materials	22,905	2,826
Fuel and energy cost	42,250	30,983
Interest expenses paid to state-owned banks	18,612	29,299
Other		
Purchase of property, plant and equipment	93,099	286,903

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

	As at 30 June 2006	As at 31 December 2005
	RMB'000	RMB'000
Balances with the parent company		
Other receivables	—	1,080
Accruals, other payable and other current liabilities	4,131	3,727
Special dividend payable	—	108,402
Dividend payable	40	40
Balances with fellow subsidiaries		
Accounts receivable	1,838	3,072
Other receivables	1,207	4,656
Accounts payable	7,042	5,960
Accruals, other payable and other current liabilities	8,916	1,528
Balances with other related parties		
Accruals, other payable and other current liabilities	14,890	73,472
Balances with other state-owned enterprise		
Restricted cash	52,462	48,815
Term deposits with initial term of over three months	409,711	184,411
Cash and cash equivalents	591,819	1,099,589
Accounts receivable	53,152	75,301
Other receivables, prepayments and other current assets	7,855	12,784
Accounts payable	9,033	15,892
Accruals, other payable and other current liabilities	21,931	130,884
Borrowings	691,102	830,449

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

19. Significant related party transactions (Continued)

(c) Key management compensation:

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,348	1,006
Contributions to pension plans	79	66
Discretionary bonuses	—	13
	1,427	1,085

20. Subsequent events

The directors of the Company approved a Share Transfer Agreement (the "Agreement") entered with XPH on 7 July 2006. According to the Agreement, the Company will sell its 30% share in Fujian Electron Port Inc. ("Fujian Electron") to XPH at a consideration of RMB4,648,269 and the net operating results generated by Fujian Electron after 1 January 2006 attributable to the 30% share interests in Fujian Electron shall be belonged to or borne by XPH.