1. General information

Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (together 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 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. 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. 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 directors regard Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") as being the parent company of the Company.

These consolidated financial statements have been approved for issue by the Board of Directors on 10 April 2007.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certificated Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets and derivative financial instruments are carried at fair value.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

(a) *Adoption of new or revised HKFRSs*

The HKICPA has issued certain new or revised HKFRSs which are mandatory for the Group's accounting periods on or after 1 January 2006 (the "New HKFRSs"). The adoption of the New HKFRSs in the current year did not result in any significant changes to the Group's significant accounting policies and the presentation of the Group's financial statements.

(b) *New HKFRS and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following new HKFRS and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group's has not early adopted:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for accounting periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements; and

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) *New HKFRS and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

- 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 HKFRS. 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 accounting periods beginning 1 January 2007.

(c) *Interpretation to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) *Interpretation to existing standards that are not yet effective and not relevant for the Group's operations (Continued)*

- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the Group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

2.2 Consolidation

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

(a) *Subsidiaries*

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

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 dividend income.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include 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 consolidated 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 interests 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, investment in an associate is stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend income.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) *Jointly controlled entities*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that 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 entities 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 result of jointly controlled entity is accounted for by the Company on the basis of dividend income.

Accounting policies of subsidiaries, jointly controlled entities 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. Summary of significant 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 the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 income statement, 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.

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values of respective property, plant and equipment over their 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

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

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.

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 the carrying amount and are recognised within other gains — net, in the income statement.

2. Summary of significant accounting policies (Continued)

2.6 Lease prepayments

Lease prepayments represent prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the periods ranging from 30 to 50 years.

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 depreciation or amortisation, and are tested at least annually for impairment and are reviewed for impairment whenever event or changes in circumstance indicate 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (Continued)

2.9 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/associates 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 for impairment annually and where there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through income statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through income statement*

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as accounts and other receivables in the balance sheet.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(c) *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.

Regular 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 income statement. Financial assets carried at fair value through income statement are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through income statement" category are presented in the income statement within other gains — net, in the period in which they arise. Dividend income from financial assets at fair value through income statement is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Gains or losses arising from changes in fair value of the available-for-sale financial assets are recognised directly in equity. Dividends on an available-for-sale equity instruments are recognised in income statement as part of other income when the Group's right to receive payment is established.

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

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

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 making maximum use of market inputs and relying as little as possible on entity-specific inputs. 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 as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in the income statement) 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.

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments which do not qualified for hedge accounting and are accounted for at fair value through income statement. Changes in the fair value of these derivative instruments that do not qualified for hedge accounting are recognised immediately in the income statement within other gains — net.

2.12 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. Summary of significant accounting policies (Continued)

2.13 Accounts receivable

Accounts receivable are recognised initially at fair value 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When an accounts receivable is uncollectible, it is written off against the allowance account for accounts receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term and highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

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.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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. Summary of significant accounting policies (Continued)

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 consolidated financial statements. However, deferred income tax is not accounted for if it 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. 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 entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 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.

2. Summary of significant accounting policies (Continued)

2.19 Employee benefits (Continued)

(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 probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. Summary of significant accounting policies (Continued)

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 of consideration received or receivable for the sale of goods and services net of rebates, discounts, returns, and value-added tax and after eliminated sales within the Group. The Group recognises revenue on the following bases:

(a) *Revenue from container loading and unloading and storage*

Revenue from container loading and unloading is recognised when the services are rendered. Revenue from container storage is recognised on a straight-line basis over the period of storage.

(b) *Revenue from bulk/general cargo loading and unloading*

Revenue from bulk/general cargo loading and unloading is recognised when the services are rendered.

(c) *Revenue from ancillary value-added port services*

Revenue from ancillary value-added port services is recognised when the services are rendered.

(d) *Revenue from 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.

2. Summary of significant accounting policies (Continued)

2.22 Recognition of revenue and income (Continued)

(e) *Interest income*

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

(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.

2.24 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. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. Summary of significant accounting policies (Continued)

2.24 Contingent liabilities and contingent assets (Continued)

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, 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 or directors.

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 2006 and 2005, denominated mainly in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), are disclosed in notes 19, 21 and 25.

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 2006, over 67% (2005: 57%) of the Group's borrowings were at fixed rates. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in note 25.

(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 11% (2005: 9%) of the Group's total costs of sales for the year ended 31 December 2006.

(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.

(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. Financial risk management (Continued)

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, available-for-sale financial assets, accounts and notes receivables; and financial liabilities including accounts and notes 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 interest rate swap contracts is calculated as the present value of the estimated future cash flows.

The fair value of financial assets and financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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.

4. Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) *Useful lives of plant and equipment (Continued)*

If the useful lives of plant and equipment differ by 10% from management's estimates, the Group would need to:

— increase the property, plant and equipment and decrease depreciation charge (as included in cost of sales) by RMB12,468,000, if favourable; or

— decrease the property, plant and equipment and increase depreciation charge (as included in cost of sales) by RMB15,239,000, if unfavourable.

(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.

The carrying amount of available-for-sale financial assets would be an estimated RMB528,000 lower or RMB462,000 higher were the discounted rate used in the discounted cash flow analysis to differ by 10% from management's estimates.

(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.

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.

4. Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(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.

Were the actual selling price of inventories differs by 10% from management's estimates, the Group would need to:

— increase the inventories and decrease provision for impairment of inventories (as included in general and administrative expenses) by RMB61,000, if favourable; or

— decrease the inventories and increase provision for impairment of inventories (as included in general and administrative expenses) by RMB61,000, if unfavourable.

(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
At 1 January 2005										
Cost	238,592	770,239	142,118	821,179	117,612	140,870	115,647	82,422	509,029	2,937,708
Accumulated depreciation	(33,140)	(131,308)	(37,710)	(254,152)	(55,505)	(69,799)	(63,596)	(47,456)	—	(692,666)
Net book amount	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										
Opening net book amount	205,452	638,931	104,408	567,027	62,107	71,071	52,051	34,966	509,029	2,245,042
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	1,248	(3,644)	—	4,172	(1,807)	—	31	—	—	—
Disposals	(1,259)	(320)	—	(13)	(316)	—	(112)	(125)	—	(2,145)
Depreciation	(9,323)	(20,459)	(6,666)	(42,916)	(10,991)	(5,587)	(11,055)	(12,785)	—	(119,782)
Closing net book amount	197,066	620,885	87,294	696,538	58,692	120,495	56,817	30,365	918,337	2,786,489
At 31 December 2005										
Cost	241,638	767,207	131,670	997,376	119,329	195,881	129,746	89,327	918,337	3,590,511
Accumulated depreciation	(44,572)	(146,322)	(44,376)	(300,838)	(60,637)	(75,386)	(72,929)	(58,962)	—	(804,022)
Net book amount	197,066	620,885	87,294	696,538	58,692	120,495	56,817	30,365	918,337	2,786,489
Year ended 31 December 2006										
Opening net book amount	**197,066**	**620,885**	**87,294**	**696,538**	**58,692**	**120,495**	**56,817**	**30,365**	**918,337**	**2,786,489**
Additions	**945**	**5,895**	**—**	**40,521**	**5,494**	**225**	**10,547**	**12,759**	**283,383**	**359,769**
Transfer	**848**	**143,126**	**—**	**278,865**	**12,018**	**52,680**	**21,432**	**14,378**	**(523,347)**	**—**
Disposals	**(178)**	**—**	**—**	**(238)**	**(348)**	**—**	**(581)**	**(70)**	**—**	**(1,415)**
Depreciation	**(9,331)**	**(24,226)**	**(6,839)**	**(50,187)**	**(12,578)**	**(8,715)**	**(12,352)**	**(12,926)**	**—**	**(137,154)**
Closing net book amount	**189,350**	**745,680**	**80,455**	**965,499**	**63,278**	**164,685**	**75,863**	**44,506**	**678,373**	**3,007,689**
At 31 December 2006										
Cost	**243,032**	**916,228**	**131,670**	**1,311,997**	**136,414**	**248,786**	**157,108**	**114,172**	**678,373**	**3,937,780**
Accumulated depreciation	**(53,682)**	**(170,548)**	**(51,215)**	**(346,498)**	**(73,136)**	**(84,101)**	**(81,245)**	**(69,666)**	**—**	**(930,091)**
Net book amount	**189,350**	**745,680**	**80,455**	**965,499**	**63,278**	**164,685**	**75,863**	**44,506**	**678,373**	**3,007,689**

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
At 1 January 2005									
Cost	35,820	423,147	65,461	233,883	8,756	747	7,080	466,337	1,241,231
Accumulated depreciation	(7,034)	(39,646)	(17,122)	(34,154)	(8,670)	(688)	(1,894)	—	(109,208)
Net book amount	28,786	383,501	48,339	199,729	86	59	5,186	466,337	1,132,023
Year ended 31 December 2005									
Opening net book amount	28,786	383,501	48,339	199,729	86	59	5,186	466,337	1,132,023
Additions	187	1,541	—	—	—	—	121	431,810	433,659
Transfer	—	—	—	—	—	—	—	(94,850)	(94,850)
Reclassification	(13,738)	17,508	(11,795)	(1,800)	12,713	(57)	(2,831)	—	—
Depreciation	(1,457)	(9,742)	(1,817)	(9,884)	(1,122)	(2)	(992)	—	(25,016)
Closing net book amount	13,778	392,808	34,727	188,045	11,677	—	1,484	803,297	1,445,816
At 31 December 2005									
Cost	17,094	458,817	44,521	230,019	23,337	—	2,955	803,297	1,580,040
Accumulated depreciation	(3,316)	(66,009)	(9,794)	(41,974)	(11,660)	—	(1,471)	—	(134,224)
Net book amount	13,778	392,808	34,727	188,045	11,677	—	1,484	803,297	1,445,816
Year ended 31 December 2006									
Opening net book amount	**13,778**	**392,808**	**34,727**	**188,045**	**11,677**	**—**	**1,484**	**803,297**	**1,445,816**
Additions	**—**	**—**	**—**	**—**	**—**	**—**	**674**	**173,967**	**174,641**
Transfer	**—**	**137,967**	**—**	**265,629**	**2,086**	**16,922**	**12,911**	**(435,515)**	**—**
Depreciation	**(552)**	**(10,687)**	**(1,727)**	**(13,956)**	**(3,232)**	**(712)**	**(2,063)**	**—**	**(32,929)**
Closing net book amount	**13,226**	**520,088**	**33,000**	**439,718**	**10,531**	**16,210**	**13,006**	**541,749**	**1,587,528**
At 31 December 2006									
Cost	**17,094**	**596,784**	**44,521**	**495,648**	**25,423**	**16,922**	**16,540**	**541,749**	**1,754,681**
Accumulated depreciation	**(3,868)**	**(76,696)**	**(11,521)**	**(55,930)**	**(14,892)**	**(712)**	**(3,534)**	**—**	**(167,153)**
Net book amount	**13,226**	**520,088**	**33,000**	**439,718**	**10,531**	**16,210**	**13,006**	**541,749**	**1,587,528**

6. Lease prepayments

(a) The Group

	Land use rights
	RMB'000
At 1 January 2005	
Cost	880,235
Accumulated amortisation	(36,383)
Net book amount	843,852
Year ended 31 December 2005	
Opening net book amount	843,852
Additions	24,037
Disposals	(231)
Amortisation charge	(17,969)
Closing book amount	849,689
At 31 December 2005	
Cost	903,474
Accumulated amortisation	(53,785)
Net book amount	849,689
Year ended 31 December 2006	
Opening net book amount	**849,689**
Additions	**58,720**
Amortisation charge	**(18,616)**
Closing book amount	**889,793**
At 31 December 2006	
Cost	**962,194**
Accumulated amortisation	**(72,401)**
Net book amount	**889,793**

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

6. Lease prepayments (Continued)

(b) The Company

	Land use rights
	RMB'000
At 1 January 2005	
Cost	451,177
Accumulated amortisation	(19,798)
Net book amount	431,379
Year ended 31 December 2005	
Opening net book amount	431,379
Transfer to subsidiaries	(6,821)
Amortisation charge	(8,899)
Closing book amount	415,659
At 31 December 2005	
Cost	443,686
Accumulated amortisation	(28,027)
Net book amount	415,659
Year ended 31 December 2006	
Opening net book amount	**415,659**
Additions	**58,720**
Amortisation charge	**(9,262)**
Closing book amount	**465,117**
At 31 December 2006	
Cost	**502,406**
Accumulated amortisation	**(37,289)**
Net book amount	**465,117**

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"), a jointly controlled entity of the Group, 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. Movement in intangible assets is set out as follow:

(a) The Group

	Port line use rights	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2005			
Cost	30,804	1,849	32,653
Accumulated amortisation	(4,405)	(794)	(5,199)
Net book amount	26,399	1,055	27,454
Year ended 31 December 2005			
Opening net book amount	26,399	1,055	27,454
Additions	—	405	405
Amortisation charge	(650)	(450)	(1,100)
Closing net book amount	25,749	1,010	26,759
At 31 December 2005			
Cost	30,804	2,254	33,058
Accumulated amortisation	(5,055)	(1,244)	(6,299)
Net book amount	25,749	1,010	26,759

7. Intangible assets (Continued)

(a) The Group (Continued)

	Port line use rights	Computer software	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2006			
Opening net book amount	**25,749**	**1,010**	**26,759**
Additions	**—**	**346**	**346**
Amortisation charge	**(618)**	**(471)**	**(1,089)**
Closing net book amount	**25,131**	**885**	**26,016**
At 31 December 2006			
Cost	**30,804**	**2,599**	**33,403**
Accumulated amortisation	**(5,673)**	**(1,714)**	**(7,387)**
Net book amount	**25,131**	**885**	**26,016**

8. Investments in subsidiaries — The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Investments, at costs		
— Shares of a listed company (note a)	**1,127,274**	1,127,274
— Unlisted equity investments	**275,359**	275,359
	1,402,633	1,402,633
Market value of shares of a listed company (note b)	**2,177,807**	—

Note:

(a) This represents the Company's investment in Xiamen Port Development Co., Ltd. ("XPD"). As at 31 December 2005, the Company's interest in XPD represented non-publicly tradable legal person shares which were not freely transferable on the stock market under the PRC listing rules. On 12 October 2006, XPD implemented its share conversion scheme which was completed on 18 October 2006. Upon the completion of the share conversion scheme, the non-publicly tradable shares of XPD held by the Company become restricted A Shares in the Shenzhen Stock Exchange (the "Exchange") (note 42(a)(ix)), which will not be traded on the Exchange within 60 months from the first trading day subsequent to the implementation of the share conversion scheme (the "Lock-up period").

8. Investments in subsidiaries — The Company (Continued)

Note: (Continued)

(b) The market value stated above is based on the market price of the listed shares of XPD as at 31 December 2006 of RMB7.44 per share for information only. However, this is not strictly comparable to the Company's investments in XPD as they are not freely tradable during the Lock-up period.

(c) Particulars of the Company's subsidiaries are set out in note 43(a).

9. Investments in jointly controlled entities

(a) The Group

The Group's investment cost in the unlisted shares of its jointly controlled entities amounted to RMB588,337,000 (2005: RMB585,837,000).

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 by proportionate consolidation are as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Assets:		
Non-current assets	**613,196**	607,298
Current assets	**125,342**	132,843
	738,538	740,141
Liabilities:		
Current liabilities	**49,924**	44,600
Net assets	**688,614**	695,541

9. Investments in jointly controlled entities (Continued)

(a) The Group (Continued)

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Revenues	**184,103**	175,955
Expenses	**(94,309)**	(79,374)
Profit before income tax	**89,794**	96,581
Income tax expense	**(7,421)**	—
Profit for the year	**82,373**	96,581

As at 31 December 2005, the Group only had interest in a jointly controlled entity, i.e. XICT, a joint venture established in the PRC in which the Group holds 51% equity interest but without unilateral control. During the year ended 31 December 2006, the Group has also established Xiamen Gangtong Logistic Co., Ltd. in the PRC in which the Group holds 50% equity interest.

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

Particulars of the Group's jointly controlled entities are set out in note 43(b).

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted investment, at cost	**3,315**	3,315

10. Investments in associates

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Share of net assets	**44,925**	46,995
Goodwill	**—**	1,036
	44,925	48,031
Investments, at cost		
Unlisted shares	**29,125**	37,104

Movements of investments in associates are as follows:

	2006	2005
	RMB'000	RMB'000
As at 1 January	**48,031**	46,050
Additions	**600**	—
Transfer to available-for-sale financial asset upon the partial disposal of an associate	**(2,640)**	—
Disposal	**(5,339)**	(125)
Reversal of provision for impairment	**—**	125
Dividends received	**(2,107)**	(2,242)
Share of results before income tax	**7,716**	4,525
Share of income tax	**(1,336)**	(757)
	6,380	3,768
Others	**—**	455
As at 31 December	**44,925**	48,031

10. Investments in associates (Continued)

(a) The Group (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Total assets	**69,428**	68,166
Total liabilities	**24,503**	21,471

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Revenues	**52,337**	40,426
Other gains, net	**194**	3
Operating profit	**7,768**	5,122
Profit for the year	**6,380**	3,768

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

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted investment, at cost	**—**	4,521

11. Available-for-sale financial assets

(a) The Group

	2006	2005
	RMB'000	RMB'000
As at 1 January	**26,154**	25,930
Additions	**—**	224
Transfer from investment in an associate	**2,640**	—
Fair value gains transferred to equity	**77,361**	—
Disposals	**(61,343)**	—
As at 31 December	**44,812**	26,154

Available-for-sale financial assets including the following:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investment, at fair value (note (i))	**34,386**	—
Unlisted equity investments, at cost (note (ii))	**15,426**	33,874
Less: provision for impairment	**(5,000)**	(7,720)
	44,812	26,154

(b) The Company

	2006	2005
	RMB'000	RMB'000
As at 1 January	**16,090**	16,090
Fair value gains transferred to equity	**24,266**	—
As at 31 December	**40,356**	16,090

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

(b) The Company (Continued)

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investment, at fair value (note (i))	**34,386**	—
Unlisted equity investments, at cost (note (ii))	**10,970**	23,490
Less: provision for impairment	**(5,000)**	(7,400)
	40,356	16,090

Notes:

(i) As at 31 December 2006, the Group held 6,600,000 shares of Fujian Sansteel MinGuang Co., Ltd which has been subsequently listed in the Shenzhen Stock Exchange on 26 January 2007.

(ii) The directors have considered that the range of reasonable estimates on the fair value of these unquoted investments is significant and the probabilities of the various estimates cannot be reasonably assessed, these investments therefore remain to be stated at cost less provision for impairment losses.

12. Long-term bank deposits — The Group

The balance represents the long-term bank deposits at fixed interest rates ranging from 5.35% to 5.60% per annum with maturity in September 2008. The carrying amounts of the long-term bank deposits approximate their fair values.

13. Deferred income tax

(a) The Group

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

	2006 RMB'000	2005 RMB'000
Deferred income tax assets		
As at 1 January	**33,398**	38,190
Charged to income statement	**(1,272)**	(4,792)
As at 31 December	**32,126**	33,398
To be recovered:		
Within 12 months	**878**	878
After more than 12 months	**31,248**	32,520
	32,126	33,398

	2006 RMB'000	2005 RMB'000
Deferred income tax liabilities		
As at 1 January	**3,270**	3,491
Charged/(credited) to income statement	**237**	(221)
Charged to equity, net	**3,640**	—
As at 31 December	**7,147**	3,270
To be settled:		
Within 12 months	**221**	221
After more than 12 months	**6,926**	3,049
	7,147	3,270

13. Deferred income tax (Continued)

(a) The Group (Continued)

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	
	2006	2005
	RMB'000	RMB'000
Deferred income tax assets		
Revaluation surplus in connection with asset swap with XPD (note (i))	**20,582**	21,284
Unrealised gain on sale and contribution of property, plant and equipment to a jointly controlled entity (note (ii))	**7,105**	7,283
Provision for impairment of receivables	**3,513**	3,553
Provision for impairment of investments in available-for-sale financial assets	**750**	1,158
Provision for impairment of inventories	**91**	35
Provision for impairment of property, plant and equipment	**85**	85
	32,126	33,398

Notes:

(i) Represents the deferred income tax asset resulting from revaluation surplus in connection with certain assets swapped from XPD (the "Assets") for the purpose of the Company's initial public offering of its shares in 2005. The revaluation surplus amounted to RMB148,531,000 which form the base for calculating the further taxable profits. However, the accounting base of the Assets under HKFRS has not been adjusted for such surplus, deferred income tax assets of RMB22,279,000 have been recognised accordingly.

The deferred income tax assets as at the balance sheet date represented the amount of income taxes recoverable in future periods in connection with the unamortised portion of aforesaid revaluation surplus as of that date.

13. Deferred income tax (Continued)

(a) The Group (Continued)

Notes: (Continued)

(ii) In 2002, 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 assets were recognised for the related temporary differences.

The deferred tax assets as at balance sheet date represented the amount of income taxes recoverable in future periods in connection with the unrealised portion of the aforesaid unrealised gain as of that date.

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Deferred income tax liabilities		
Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal")	**3,049**	3,270
Fair value gain on available-for-sale financial assets	**3,640**	—
Fair value gain on derivative financial instrument	**458**	—
	7,147	3,270

(b) The Company

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

	2006	2005
	RMB'000	RMB'000
Deferred income tax assets		
As at 1 January	**1,100**	1,110
Charged to income statement	**(350)**	—
As at 31 December	**750**	1,110

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

13. Deferred income tax (Continued)

(b) The Company (Continued)

	2006 RMB'000	2005 RMB'000
Deferred income tax liabilities		
As at 1 January	—	—
Charged to income statement	458	—
Charged to equity	3,640	—
As at 31 December	4,098	—

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

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

	As at 31 December	
	2006 RMB'000	2005 RMB'000
Deferred income tax assets		
Provision for impairment of investments in available-for-sale financial assets	750	1,110

	As at 31 December	
	2006 RMB'000	2005 RMB'000
Deferred income tax liabilities		
Fair value gain on available-for-sale financial assets	3,640	—
Fair value gain on derivative financial instrument	458	—
	4,098	—

14. Inventories

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Raw materials	**7,399**	6,499
Work-in-progress	**—**	367
Finished goods and merchandise	**79,322**	49,344
Spare parts and consumables	**31,952**	27,691
	118,673	83,901
Less: provision for impairment	**(608)**	(234)
	118,065	83,667

The raw materials primarily comprise fuel and oil. Work-in-progress, finished goods and merchandise primarily represent concrete and steels. The spare parts and consumables are mainly for repair and maintenance of port facilities and other equipments.

The cost of inventories recognised as expense and included in cost of sales amounted to RMB318,810,000 (2005: RMB235,670,000).

(b) The Company

The inventories of the Company as at 31 December 2006 represent spare parts and consumables stated at cost.

15. Accounts and notes receivable

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Accounts receivable	**387,199**	351,675
Less: provision for impairment	**(13,122)**	(13,425)
	374,077	338,250
Due from fellow subsidiaries	**3,392**	3,072
Notes receivable	**70,873**	19,603
	448,342	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.

Ageing 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	
	2006	2005
	RMB'000	RMB'000
Less than 6 months	**401,645**	320,122
6 months to 1 year	**24,267**	19,214
1 year to 2 years	**19,443**	22,012
2 years to 3 years	**7,821**	4,771
Over 3 years	**8,288**	8,231
	461,464	374,350
Less: provision for impairment	**(13,122)**	(13,425)
	448,342	360,925

15. Accounts and notes receivable (Continued)

(a) The Group (Continued)

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

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

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

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
RMB	**373,326**	301,497
USD	**75,016**	59,428
	448,342	360,925

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Accounts receivable	**26,134**	—

The carrying amounts of the Company's accounts receivable is denominated in RMB and the ageing of which is less than six months.

16. Other receivables and prepayments

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Other receivables	**31,038**	32,587
Less: provision for impairment	**(10,297)**	(9,999)
	20,741	22,588
Due from BNP Paribas Peregrine (the "BNP") (note (i))	**—**	34,464
Due from parent company (notes (ii) & (iii))	**104**	1,080
Due from fellow subsidiaries (note (iii))	**—**	4,656
Advances to suppliers	**141,319**	38,657
Prepayments and deposits	**6,826**	5,547
	168,990	106,992

(i) The amounts due from BNP represented the proceeds collected by BNP on behalf of the Company from the issuance of international placing shares. The balance were fully collected by the Company on 3 January 2006.

(ii) As at 31 December 2006 and 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 into between Xiamen Port Holding and XPD.

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

(iv) Other receivables and prepayments are denominated in RMB and the carrying amounts of which approximate their fair values.

16. Other receivables and prepayments (Continued)

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Other receivables	**586**	228
Due from BNP (note (a)(i))	**—**	34,464
Due from subsidiaries (note (i))	**34,254**	111,721
	34,840	146,413

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

(ii) Other receivables and prepayments are denominated in RMB and the carrying amounts of which approximate their fair values.

17. Available-for-sale financial assets — The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Investments in securities listed outside Hong Kong, at fair value	**—**	854

18. Derivative financial instrument — The Group and the Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Interest rate swap contract	**3,053**	—

As at 31 December 2006, the Company had entered into an interest rate swap contract with a financial institution under which the Company agreed to swap the floating rate at LIBOR with the fixed rate of 5.2% per annum.

The notional principal amounts of the outstanding interest rate swap contract at 31 December 2006 amounted to USD12,694,000 (equivalent to approximately RMB99,122,000).

This derivative financial instrument does not qualify for hedge accounting.

19. Term deposits with initial term of over three months

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Term deposits denominated in:		
RMB	**321,059**	135,000
USD	**98,659**	49,411
	419,718	184,411

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 3.00% (2005: 2.59%) per annum for the year ended 31 December 2006.

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Term deposits denominated in RMB	**230,000**	—

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, was 2.25% (2005: Not applicable) per annum for the year ended 31 December 2006.

20. Restricted cash — The Group and the Company

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

21. Cash and cash equivalents

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Cash at bank and in hand	**460,290**	1,045,229
Bank deposits	**554,115**	238,771
	1,014,405	1,284,000
Less: term deposits with initial term of over three months (note 19(a))	**(419,718)**	(184,411)
Cash and cash equivalents	**594,687**	1,099,589
Denominated in:		
RMB	**485,676**	367,094
HKD	**4,413**	650,177
USD	**102,943**	82,318
EUR	**1,655**	—
	594,687	1,099,589

(i) The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 days to 90 days, was 1.94% (2005: 1.86%) per annum for the year ended 31 December 2006.

(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.

21. Cash and cash equivalents (Continued)

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Cash at bank and in hand	**107,099**	707,110
Bank deposits	**246,500**	—
	353,599	707,110
Less: term deposits with initial term of over three months (note 19(b))	**(230,000)**	—
Cash and cash equivalents	**123,599**	707,110
Denominated in:		
RMB	**119,118**	58,664
HKD	**4,168**	648,441
USD	**313**	5
	123,599	707,110

22. Accounts and notes payable

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Accounts payable	**378,531**	338,459
Due to related parties	**5,524**	5,960
Notes payable	**250,885**	90,578
	634,940	434,997

22. Accounts and notes payable (Continued)

(a) The Group (Continued)

Ageing 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 31 December	
	2006	2005
	RMB'000	RMB'000
Within 1 year	**627,281**	426,214
1 year to 2 years	**6,126**	7,062
2 years to 3 years	**958**	43
Over 3 years	**575**	1,678
	634,940	434,997

Notes payable are notes 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.

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
RMB	**408,910**	239,252
USD	**226,030**	195,745
	634,940	434,997

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Accounts payable	**2,734**	2,900

22. Accounts and notes payable (Continued)

(b) The Company (Continued)

Accounts payable of the Company are denominated in RMB and the ageing analysis of accounts payable of trading in nature at respective balance sheet dates is as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Within 1 year	**1,096**	—
1 year to 2 years	**—**	2,900
2 to 3 years	**1,638**	—
	2,734	2,900

23. Other payables and accruals

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Due to parent company (note (i))	**183**	3,727
Due to fellow subsidiaries (note 42(b))	**3,767**	1,528
Due to other related parties (note 42(b))	**17,578**	73,472
Payable for purchases of property, plant and equipment and construction-in-progress	**23,982**	26,856
Salary and welfare payables	**90,602**	72,921
Payable for National Council for Social Security Fund (note (ii))	**—**	106,140
Customer deposits	**53,749**	33,242
Accrued expenses	**14,493**	10,940
Other payables	**60,404**	49,969
Dividend payable to the parent company	**40**	40
	264,798	378,835

23. Other payables and accruals (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 referred to amount payable to National Council for Social Security Fund ("NCSSF") as a result of the sale of shares owned by NCSSF. 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 had transferred 78,000,000 domestic shares of the Company to NCSSF in 2005. NCSSF entrusted the Company to sell the domestic shares together with H shares during the initial public offering. The balance was fully settled in 2006.

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	
	2006	2005
	RMB'000	RMB'000
Due to parent company	**183**	455
Due to subsidiaries	**24,557**	97,695
Accrued expenses	**7,743**	6,571
Salary and welfare payables	**6,019**	3,014
Payable to National Council for Social Security Fund (note (a)(ii))	**—**	106,140
Other payables	**4,256**	4,209
Customer deposits	**5,689**	—
Dividend payable to the parent company	**40**	40
	48,487	218,124

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

24. Deferred government grants and income

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Deferred income on tax credit related to purchases of domestic equipment (note (i))	**31,766**	33,968
Government grants on purchases of property, plant and equipment (note (ii))	**119,412**	111,441
	151,178	145,409

(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 was deferred and credited to income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment. As at 31 December 2006, the remaining deferred tax credit amounted to RMB31,766,000 (2005: RMB33,968,000).

(ii) In year 2002, 2004 and 2005, the Company received government grants amounting to RMB52,570,000, RMB40,000,000 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.

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Government grants on purchases of property, plant and equipment (note (a)(ii))	**119,412**	111,441

25. Borrowings

(a) The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unsecured		
Non-current		
Long-term bank borrowings	**591,308**	854,648
Current		
Short-term bank borrowings	**—**	45,000
Long-term bank borrowings — current portion	**5,944**	36,111
	5,944	81,111
Total borrowings	**597,252**	935,759
Representing:		
— unguaranteed	**498,130**	830,449
— guaranteed (note (i))	**99,122**	105,310
Total borrowings	**597,252**	935,759
Analysed as follows:		
— wholly repayable within five years	**104,000**	173,000
— not wholly repayable within five years	**493,252**	762,759
Total borrowings	**597,252**	935,759

(i) As at 31 December 2006, bank borrowings amounting to RMB 99,122,000 is guaranteed by China Construction Bank (2005: RMB105, 310,000).

25. Borrowings (Continued)

(a) The Group (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
RMB		
— at fixed rates	**398,130**	529,576
— at floating rates	**100,000**	100,000
	498,130	629,576
USD		
— at floating rates	**99,122**	306,183
Total borrowings	**597,252**	935,759

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

	As at 31 December	
	2006	2005
Bank borrowings		
— RMB	**5.33%**	5.05%
— USD	**5.65%**	3.82%

25. Borrowings (Continued)

(a) The Group (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Bank borrowings repayable:		
— within one year	**5,944**	81,111
— in the second year	**106,255**	11,838
— in the third to fifth year	**26,659**	213,754
— after the fifth year	**458,394**	629,056
	597,252	935,759

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	
	2006	2005
	RMB'000	RMB'000
Carrying amounts	**591,308**	854,648
Fair value	**574,814**	819,524

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.

25. Borrowings (Continued)

(a) The Group (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Fixed rates	**793,870**	731,424

Among the undrawn borrowing facilities as at 31 December 2006, RMB473,870,000 will expire in October 2012, and RMB320,000,000 will expire in December 2013.

(b) The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Unsecured		
Non-current		
Long-term bank borrowings	**542,188**	819,203
Current		
Long-term bank borrowings — current portion	**3,064**	8,111
Total borrowings	**545,252**	827,314
Representing:		
— unguaranteed	**446,130**	722,004
— guaranteed (note (a)(i))	**99,122**	105,310
	545,252	827,314
Analysed as follows:		
— wholly repayable within five years	**100,000**	100,000
— not wholly repayable within five years	**445,252**	727,314
Total borrowings	**545,252**	827,314

25. 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	
	2006	2005
	RMB'000	RMB'000
RMB		
— at fixed rates	**346,130**	421,130
— at floating rates	**100,000**	100,000
	446,130	521,130
USD		
— at floating rates	**99,122**	306,184
Total borrowings	**545,252**	827,314

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

	As at 31 December	
	2006	2005
Bank borrowings		
— RMB	**5.58%**	5.40%
— USD	**5.65%**	3.82%

25. Borrowings (Continued)

(b) The Company (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Bank borrowings repayable:		
— within one year	**3,064**	8,111
— in the second year	**103,375**	8,958
— in the third to fifth year	**12,339**	205,114
— after the fifth year	**426,474**	605,131
	545,252	827,314

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	
	2006	2005
	RMB'000	RMB'000
Carrying amounts	**542,188**	819,203
Fair value	**533,369**	786,908

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.

25. Borrowings (Continued)

(b) The Company (Continued)

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Fixed rates	**793,870**	718,870

Among the undrawn borrowing facilities as at 31 December 2006, RMB473,870,000 will expire in October 2012 and RMB320,000,000 will expire in December 2013.

26. 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 2005 and 2006 are as follows:

	RMB'000
As at 1 January 2005	11,476
Payment for the year	(2,295)
As at 31 December 2005	9,181
Payment for the year	(1,847)
As at 31 December 2006	**7,334**

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 2006 is expected to be fully settled in 2015.

27. Share 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 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
Conversion of domestic shares to 11,700,000 H shares (note (e))	—	(11,700)	11,700	—
Issuance of new H shares (note (e))	—	—	117,000	117,000
At 31 December 2006	—	1,739,500	986,700	2,726,200

(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 Commercial Group Co. Ltd. and Xiamen State-owned Assets Investment Corporation, at RMB1.23 each for cash.

27. Share capital (Continued)

(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.

(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 share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H shares. 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. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

28. Reserves

(a) The Group

	Note	Other reserves					Retained earnings (note iii)	Total
		Capital surplus	Statutory surplus reserve (note i)	Statutory public welfare fund (note ii)	Investment revaluation reserve	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005		(183,633)	276,466	347,617	—	440,450	636,637	1,077,087
Profit for the year		—	—	—	—	—	243,554	243,554
Capitalisation of reserves into share capital upon the transformation	27(b)	(608,734)	(103,880)	(251,926)	—	(964,540)	(291,460)	(1,256,000)
Contribution from domestic equity holder	27(c)	16,836	—	—	—	16,836	—	16,836
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	(i)&(ii)	—	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
Fair value gain on available-for-sale financial assets, net of tax		—	—	—	45,506	45,506	—	45,506
Release of reserve upon disposal of an available-for-sale financial assets		—	—	—	(24,880)	(24,880)	—	(24,880)
Profit for the year		—	—	—	—	—	280,985	280,985
Share premium arising from issuance of new H shares		55,028	—	—	—	55,028	—	55,028
Share issuance costs		(17,790)	—	—	—	(17,790)	—	(17,790)
Profit appropriation	(i)&(ii)	—	63,737	—	—	63,737	(63,737)	—
Transfer within other reserves	(ii)	—	126,605	(126,605)	—	—	—	—
Balance at 31 December 2006		**(464,773)**	**411,797**	**—**	**20,626**	**(32,350)**	**617,794**	**585,444**

28. Reserves (Continued)

(b) The Company

		Other reserves						
	Note	Capital surplus RMB'000	Statutory surplus reserve (note i) RMB'000	Statutory public welfare fund (note ii) RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings (note iii) RMB'000	Total RMB'000
Balance at 1 January 2005		219,656	103,880	251,926	—	575,462	690,598	1,266,060
Profit for the year		—	—	—	—	—	69,502	69,502
Capitalisation of reserves into share capital upon the transformation	27(b)	(608,734)	(103,880)	(251,926)	—	(964,540)	(291,460)	(1,256,000)
Contribution from domestic equity holders	27(c)	16,836	—	—	—	16,836	—	16,836
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		—	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
Fair value gain on available-for-sale financial assets, net of tax		—	—	—	20,626	20,626	—	20,626
Profit for the year		—	—	—	—	—	154,143	154,143
Share premium arising from issuance of new H shares		55,028	—	—	—	55,028	—	55,028
Share issuance costs		(17,790)	—	—	—	(17,790)	—	(17,790)
Profit appropriation	(i)&(ii)	—	27,454	—	—	27,454	(27,454)	—
Transfer within other reserves	(ii)	—	12,790	(12,790)	—	—	—	—
Balance at 31 December 2006		**(61,484)**	**65,825**	**—**	**20,626**	**24,967**	**448,556**	**473,523**

28. Reserves (Continued)

(b) The Company (Continued)

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises 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.

(ii) 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 company.

In accordance with The Company Law which was amended on 27 October 2005 and implemented on 1 January 2006 and the articles of association of the companies within the Group, the Group is no longer required to set aside any public welfare funds from year 2006 onwards. Accordingly, the Group has transferred the balance of statutory public welfare fund accumulated up to 1 January 2006 as the Group's statutory surplus reserve.

(iii) In accordance with the relevant PRC regulations and the Articles of Association of the Company, retained profits available for distribution by the Company will be deemed to be the lower of the amounts determined by reference to the Company's financial statements prepared in accordance with the PRC GAAP and the amount determined by reference to the Company's financial statements prepared in accordance with HKFRS.

The retained earnings of the Company as at 31 December 2006 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 2005, the date of the transformation of the Company from wholly stated-owned Company to a joint stock limited company.

29. Revenues and segment information

(a) Revenues and other income

The Group's revenues and other income are analysed as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Revenues	**1,534,033**	1,300,586
Other income		
Subsidy income (note (i))	**11,000**	11,000
Dividend income	**1,276**	1,598
Rental income	**4,967**	1,285
Others (note (ii))	**19,648**	19,797
	36,891	33,680
Total	**1,570,924**	1,334,266

(i) 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.

(ii) This primarily consists of material selling income, labour income, railway maintenance service fee and compensation income.

(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.

29. Revenues and segment information (Continued)

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

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 primarily comprise of 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 of operating liabilities and exclude item such as deferred income tax liabilities.

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

29. Revenues and segment information (Continued)

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

The segment revenues, results and other information for the year ended 31 December 2005 are as follows:

Year ended 31 December 2005

	Container loading and unloading and storage business	**Bulk/general cargo loading and unloading business**	**Ancillary value-added port services**	**Manufacturing and selling of building materials**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total gross segment sales	587,115	147,452	436,972	181,480	1,353,019
Inter-segment sales	—	—	(52,433)	—	(52,433)
External sales	587,115	147,452	384,539	181,480	1,300,586
Segment results	248,952	37,120	127,553	12,250	425,875
Finance income					10,494
Finance costs					(24,935)
Operating profit after finance income and costs					411,434
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					
Depreciation	59,966	20,334	30,441	9,041	119,782
Amortisation	11,403	4,376	3,247	43	19,069
Reversal of write-down of inventories	(218)	—	—	—	(218)
Provision for/(reversal of) impairment of receivables	609	245	2,446	(84)	3,216
Capital expenditure	532,503	35,848	112,604	6,861	687,816

29. Revenues and segment information (Continued)

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

The segment assets and liabilities as at 31 December 2005 are as follows:

As at 31 December 2005

	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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
					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

29. Revenues and segment information (Continued)

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

The segment revenues, results and other information for the year ended 31 December 2006 are as follows:

Year ended 31 December 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	**674,221**	**172,904**	**462,513**	**275,478**	**1,585,116**
Inter-segment sales	**—**	**—**	**(51,083)**	**—**	**(51,083)**
External sales	**674,221**	**172,904**	**411,430**	**275,478**	**1,534,033**
Segment results	**256,214**	**46,306**	**175,304**	**15,190**	**493,014**
Finance income					**17,685**
Finance costs					**(12,491)**
Operating profit after finance income and costs					**498,208**
Share of results of associates	**—**	**—**	**2,836**	**3,544**	**6,380**
Profit before income tax					**504,588**
Income tax expense					**(93,988)**
Profit for the year					**410,600**
Other information					
Depreciation	**74,271**	**21,081**	**31,007**	**10,795**	**137,154**
Amortisation	**11,805**	**4,474**	**3,383**	**43**	**19,705**
Provision for impairment of inventories	**—**	**—**	**374**	**—**	**374**
Provision for/(reversal of) impairment of receivables	**(448)**	**633**	**146**	**206**	**537**
Capital expenditure	**287,260**	**35,167**	**78,118**	**18,290**	**418,835**

29. Revenues and segment information (Continued)

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

The segment assets and liabilities as at 31 December 2006 are as follows:

As at 31 December 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
Segment assets	**3,576,374**	**417,182**	**1,491,758**	**232,280**	**5,717,594**
Associates	**—**	**—**	**33,976**	**10,949**	**44,925**
					5,762,519
Unallocated assets					**84,747**
Total assets					**5,847,266**
Segment liabilities	**842,456**	**17,321**	**636,124**	**135,845**	**1,631,746**
Unallocated liabilities					**97,749**
Total liabilities					**1,729,495**

(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 revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

30. Other gains/(losses) — net

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Fair value gain on financial assets at fair value through income statement	**—**	48
Fair value gain on derivative financial asset	**3,053**	—
Gain on disposal of available-for-sale financial assets (note)	**55,805**	—
Loss on partial disposal of investment in a subsidiary	**—**	(1,676)
Loss on liquidation of a subsidiary	**(399)**	—
Loss on partial disposal of investment in an associate	**(691)**	—
Gain on dilution of interest in an associate	**—**	455
(Loss)/gain on disposal of property, plant and equipment	**(299)**	278
	57,469	(895)

Note: It represented a gain from disposal of 4,663,705 shares of CITIC Securities Co., Ltd. ("CITIC") (the "Shares") by XPD in October 2006. The Shares were converted from non-tradable legal person share into restricted tradable shares after CITIC implemented its shares conversion scheme in The Shanghai Stock Exchange on 15 August 2005. XPD disposed of the Shares in October 2006 after expiry of the trading restriction period.

31. Employee benefit expenses

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Salaries, wages and bonuses	**247,742**	208,547
Welfare, medical and other expenses	**53,666**	39,242
Contributions to pension plans	**44,051**	44,182
	345,459	291,971
Average number of employees	**5,276**	4,663

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% (2005: 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. Expenses by nature

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Employee benefit expenses	**345,459**	291,971
Cost of inventories consumed	**318,810**	235,670
Depreciation of property, plant and equipment (note 5)	**137,154**	119,782
Distribution, transportation and labour outsourcing	**84,063**	58,620
Business tax, stamp duty and real estate tax	**71,030**	56,858
Operating lease rental in respect of property, plant and equipment	**28,532**	13,961
General office expenses	**24,545**	25,103
Advertising and marketing expenses	**19,231**	15,301
Amortisation of lease prepayments (note 6)	**18,616**	17,969
Repairs and maintenance	**18,163**	18,694
Property insurance expenses	**12,641**	11,077
Auditors' remuneration	**3,842**	2,566
Amortisation of intangible assets (note 7)	**1,089**	1,100
Provision for impairment of receivables	**537**	3,216
Provision for impairment/(reversal of write-down) of inventories	**374**	(218)
Others	**51,293**	35,826
Total cost of sales, selling and marketing expenses and general and administrative expenses	**1,135,379**	907,496

33. Finance income and costs

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Interest on bank borrowings	**(42,260)**	(67,086)
Less: amounts capitalised	**24,306**	31,399
	(17,954)	(35,687)
Finance income — net foreign exchange gain on financing activities	**5,463**	10,752
Finance costs	**(12,491)**	(24,935)
Finance income — interest income	**17,685**	10,494
Net finance income/(costs)	**5,194**	(14,441)

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 2006 was 5.84% (2005: 5.51%) 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 (2005: Nil).

Provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 15% (2005: 15%) of the assessable income of each of the companies 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 prior years and enjoyed 50% reduction in income tax from 2006 onwards.

As approved by the relevant tax authorities, the Company is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from 2007.

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	
	2006	2005
	RMB'000	RMB'000
PRC current income tax	**92,479**	66,838
Deferred income tax	**1,509**	4,571
	93,988	71,409

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	
	2006	2005
	RMB'000	RMB'000
Profit before income tax	**504,588**	415,202
Less: share of results of associates	**(6,380)**	(3,768)
	498,208	411,434
Tax calculated at the statutory tax rate of 15%	**74,731**	61,715
Effect of tax holiday of XICT	**(6,762)**	(14,487)
Additional deductible allowances from purchases of domestic equipment (note 24(a)(i))	**(330)**	(330)
Income not subject to income tax	**(211)**	(75)
Expenses not deductible for income tax purposes	**26,560**	20,306
Others	**—**	4,280
Income tax expense	**93,988**	71,409

34. Taxation (Continued)

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

The companies 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 of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2006 are dealt with in the financial statements of the Company to the extent of RMB154,143,000 (2005: RMB69,502,000).

36. Dividends

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Special dividend payable to the parent company (note (a))	**—**	108,402
Dividend payable to the parent company	**—**	40
Final, proposed of RMB6.5 cents (2005: Nil) (note (b))		
— per domestic share	**113,068**	—
— per H share	**64,135**	—
	177,203	108,442

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 was 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 by reference to the Company's financial statement prepared 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 were 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 had been provided as of 31 December 2005.

(b) At a meeting held on 10 April 2007, the directors proposed final dividend of RMB6.5 cents per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2007.

37. Earnings per share

Basic earnings per share on profit for the year ended 31 December 2006 have been computed by dividing the profit attributable to the equity holders of the Company of RMB280,985,000 (2005: RMB243,554,000) by weighted average number of the Company's shares in issue of 2,725,558,904 (2005: 1,826,898,630) shares during the year.

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

38. Directors', supervisors' and senior management's emoluments

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Directors and supervisors		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,624**	1,820
Contributions to pension plans	**205**	105
Discretionary bonuses	**1,714**	1,358
Senior management		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**486**	343
Contributions to pension plans	**71**	30
Discretionary bonuses	**500**	253
	5,600	3,909

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 2006*

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	**350**	**38**	**350**	**738**
Chen Dingyu	**261**	**33**	**252**	**546**
Lin Kaibiao	**231**	**30**	**224**	**485**
Huang Zirong	**236**	**31**	**224**	**491**
Fang Yao	**262**	**32**	**252**	**546**
Ke Dong	**316**	**16**	**240**	**572**
Wu Jianliang	**188**	**25**	**172**	**385**
Zheng Yongen	**80**	**—**	**—**	**80**
Fu Chengjing	**80**	**—**	**—**	**80**
Miao Luping	**80**	**—**	**—**	**80**
Huang Shizhong	**80**	**—**	**—**	**80**
Zhen Hong	**80**	**—**	**—**	**80**
Hui Wang Chueng	**180**	**—**	**—**	**180**
Fang Zuhui	**50**	**—**	**—**	**50**
Luo Jianzhong	**50**	**—**	**—**	**50**
Tang Jinmu	**50**	**—**	**—**	**50**
He Shaoping	**50**	**—**	**—**	**50**
	2,624	**205**	**1,714**	**4,543**
Senior management				
Hong Lijuan	**207**	**29**	**200**	**436**
Lu Jianwei	**151**	**25**	**188**	**364**
Zhang Yibing	**128**	**17**	**112**	**257**
	486	**71**	**500**	**1,057**
	3,110	**276**	**2,214**	**5,600**

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

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

(ii) *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

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

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

(ii) *Year ended 31 December 2005 (Continued)*

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

	Year ended 31 December	
	2006	2005
Directors and supervisors		
Nil to HK$1,000,000 (equivalent to RMB1,004,700)	**17**	17
Senior management		
Nil to HK$1,000,000 (equivalent to RMB1,004,700)	**3**	2

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.

39. Notes to consolidated cash flow statements

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Profit before income tax	**504,588**	415,202
Adjustments for:		
— Share of results of associates	**(6,380)**	(3,768)
— Depreciation charges	**137,154**	119,782
— Amortisation of lease prepayments	**18,616**	17,969
— Amortisation of intangible assets	**1,089**	1,100
— Loss/(gain) on disposal of property, plant and equipment	**299**	(278)
— Fair value gain on derivative financial assets/ financial assets at fair value through income statement	**(3,053)**	(48)
— Gain on disposal of available-for-sale financial assets	**(55,805)**	—
— Gain on dilution of interest in an associate	**—**	(455)
— Loss on partial disposal of interest in a subsidiary	**—**	1,676
— Loss on liquidation of subsidiaries	**399**	—
— Loss on partial disposal of interest in an associate	**691**	—
— Provision for impairment/(reversal of write-down) of inventories	**374**	(218)
— Provision for impairment of receivables	**537**	3,216
— Dividend income	**(1,276)**	(1,598)
— Interest income	**(17,685)**	(10,494)
— Interest expense	**17,954**	35,687
— Unrealised foreign exchange gain	**(3,319)**	(8,006)
Changes in working capital:		
— Accounts and notes receivable	**(87,954)**	(17,388)
— Other receivables and prepayments	**(96,880)**	165,507
— Inventories	**(34,772)**	(15,573)
— Accounts and notes payable	**199,943**	104,901
— Other payables and accruals	**(117,489)**	(107,188)
— Restricted cash	**7,574**	(21,194)
Net cash generated from operations	**464,605**	678,832

39. Notes to consolidated cash flow statements (Continued)

(b) The major non-cash transactions for the year ended 31 December 2006 represented the cash compensation paid by Xiamen Port Holding to the holders of the tradable A shares of XPD of RMB127,737,000 under the share conversion scheme of XPD, details of which are set out in note 42(a)(ix).

40. Commitments

(a) Capital commitments

The Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
— the Group	**372,675**	194,267
— a jointly controlled entity	**25,729**	11,805
	398,404	206,072

Capital commitments as at 31 December 2006 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 2006 and such capital expenditure had not been incurred as at that date.

The Company

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Purchases of property, plant and equipment contracted but not provided for	**363,944**	164,085

40. Commitments (Continued)

(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	
	2006	2005
	RMB'000	RMB'000
Not later than 1 year	**20,303**	11,312
Later than 1 year and not later than 5 years	**5,528**	12,804
Later than 5 years	**7,361**	—
	33,192	24,116

41. Contingent liabilities

As of 31 December 2006 and 2005, 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, the directors believe that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the year and balances arising from significant related party transactions for the year ended 31 December 2006.

42. Significant related party transactions (Continued)

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

		Year ended 31 December	
		2006	2005
	Note	**RMB'000**	RMB'000
Transaction with Finance Bureau of Xiamen			
Other income			
Subsidy income	(i)	**11,000**	11,000
Transactions with the parent company			
Revenue			
Railway maintenance services fee	(ii)	**1,080**	1,080
Electrical equipment maintenance	(iii)	**1,285**	1,134
Expense			
Operating lease in respect of land and office premises	(iv)	**10,297**	4,857
Comprehensive services	(v)	**19,270**	16,058
Others			
Transfer of non-current asset held for sale	(vi)	**—**	51,500
Acquisition of lease prepayments	(vii)	**—**	24,037
Purchase of property, plant and equipment	(vii)	**4,755**	1,220
Disposal of property, plant and equipment	(viii)	**—**	1,387
XPD share conversion consideration	(ix)	**127,737**	—
Disposal of partial interest in an associate	(x)	**5,339**	—
Transactions with fellow subsidiaries			
Revenue			
Loading and unloading services rendered	(xi)	**2,570**	520
Electrical equipment maintenance	(iii)	**2,051**	4,202

42. Significant related party transactions (Continued)

(a) (Continued)

	Note	Year ended 31 December **2006** **RMB'000**	2005 RMB'000
Expense			
Office and property management	(xii)	**6,089**	5,588
Operating lease in respect of land and office premises	(iv)	**1,710**	1,788
Labour services	(xiii)	**20,313**	21,017
Others			
Purchase of property, plant and equipment	(xiv)	**16,794**	26,123
Construction project management	(xv)	**8,438**	3,574
Transactions with other state-owned enterprises			
Revenue			
Electrical equipment maintenance	(iii)	**5,182**	2,257
Loading and unloading services rendered	(xi)	**123,509**	173,883
Port ancillary services rendered	(xi)	**29,974**	27,221
Sales of building materials	(xi)	**78,074**	80,779
Interest income from bank deposits		**17,685**	10,494
Expense			
Purchase of goods and raw materials	(xvi)	**55,251**	46,279
Fuel charges	(xvi)	**81,821**	64,961
Interest expenses paid to state-owned banks	(xvii)	**36,403**	63,053
Other			
Purchase of property, plant and equipment	(xviii)	**287,797**	593,994

(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.

42. Significant related party transactions (Continued)

(a) (Continued)

(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.

(iii) Xiamen Port Power Supply Co., Ltd. provided electrical equipment maintenance services for the relevant facilities and devices for Xiamen Port Holding and fellow subsidiaries and other state-owned enterprises. The transactions were conducted in accordance with agreement entered into with the related parties.

(iv) Operating lease for land and office premises 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 was determined based on the terms stipulated in the comprehensive services agreement dated 1 August 2004.

(vi) On 31 December 2004, XPD entered into an agreement with Xiamen Port Holding pursuant to which XPD conditionally transferred its interest in Tiantong Securities Co., Ltd. ("Tiantong Securities") to Xiamen Port Holding for a consideration of RMB51,500,000 which was approved by China Securities Regulatory Commission ("CSRC") and other shareholders of Tiantong Securities in May 2005.

(vii) The acquisition of lease prepayments and purchase of property, plant and equipment in 2005 mainly represent the acquisition cost for the land use right of a land located in Dongdu area and a building on this land acquired from Xiamen Port Holding. Whereas the Group acquired certain vehicles and furniture, fittings and equipments from Xiamen Port Holding in 2006.

(viii) The disposal of buildings and lease prepayments mainly represented 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 were in accordance with the agreement entered by both parties.

(ix) On 29 September 2006, the holders of XPD's tradable A shares (the "A-Share Equity Holders") approved the share conversion scheme of XPD (the "Scheme"). Pursuant to the Scheme, XPD transferred for free 8 XPD's shares for every 10 XPD's shares being held by all of its shareholders (the "Share Transfer") and after the Share Transfer, the A-Share Equity Holders were entitled to receive either cash or free shares from the holders of XPD's non-tradable shares, as consideration for the A-Share Equity Holders' approval for the conversion of the XPD's non-tradable shares into restricted tradable shares. Cash compensation of RMB127.7 million payable by the Group to the A-Share Equity Holders was paid by Xiamen Port Holding in accordance with its indemnity given to the Company in November 2005.

(x) The Group's partial disposal of its 30% equity interests in Fujian Electron Port Inc. ("Fujian Electron") to Xiamen Port Holding was completed in July 2006. Cash proceeds from the disposal amounted to RMB4,648,000.

42. Significant related party transactions (Continued)

(a) (Continued)

(xi) The loading and unloading services rendered, port ancillary services rendered, sales of building materials to the related parties and other state-owned enterprises were carried out on terms that were mutually agreed by both contract parties.

(xii) Represented the management service fees paid by the Group to Xiamen Port Property Management Co., Ltd. for its provision of office and property management services in connection with office premises occupied by the Group.

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

(xiv) The purchase of property, plant and equipment was 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 were 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.

(xv) The project management service was 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 was mutually agreed by the parties involved.

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

(xvii) Interest was charge for loans with state-owned banks in accordance with the terms set out in the respective agreements or as mutually agreed with the parties involved.

(xviii) The purchase of property, plant and equipment from other state-owned enterprise mainly consisted 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 were 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:

		As at 31 December	
		2006	2005
	Note	**RMB'000**	RMB'000
Balances with the parent company			
Other receivables	(i)	**104**	1,080
Other payable, accruals and other current liabilities	(ii)	**183**	3,727
Special dividend payable	36(a)	**—**	108,402
Dividend payable		**40**	40
Balances with fellow subsidiaries			
Accounts receivable	(iii)	**3,392**	3,072
Other receivables	(iii)	**—**	4,656
Accounts payable	(iii)	**5,524**	5,960
Other payable and accruals	(iii)	**3,767**	1,528
Balances with other related parties			
Other payable and accruals	(iv)	**17,578**	73,472
Balances with other state-owned enterprise			
Restricted cash	(v)	**41,241**	48,815
Long-term bank deposits	(v)	**7,809**	—
Term deposits with initial term of over three months	(v)	**419,718**	184,411
Cash and cash equivalent	(v)	**594,687**	1,099,589
Accounts receivable	(vi)	**53,452**	75,301
Other receivables and prepayments	(vi)	**7,657**	12,784
Accounts payable	(vi)	**6,066**	15,892
Other payable and accruals	(vi)	**7,182**	130,884
Borrowings	(vii)	**498,130**	830,449

42. Significant related party transactions (Continued)

(b) (Continued)

(i) The balance represented the railway maintenance service fee receivable from Xiamen Port Holding in accordance with the railway concession service agreement (note 16(a)(ii)).

(ii) The balance consisted 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 (note 23(a)(i)).

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

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

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

(vi) These balances arose from the ordinary course of the Group's business were unsecured, interest free and no fixed payment terms.

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

(c) Key management compensation:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,110**	2,163
Contributions to pension plans	**276**	135
Discretionary bonuses	**2,214**	1,611
	5,600	3,909

43. Particulars of subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2006, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Type of legal entity	Issued share/ paid-in capital 2006 (RMB'000)	2005	Attributable equity interests 2006 Directly held	2006 Indirectly held	2005 Directly held	2005 Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	531,000	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.	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)	Limited liability company	17,000	17,000	—	47.41%	—	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd. (formerly known as Xiamen Port Shipping Company)	Limited liability company	60,000	25,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Haicang Port Co., Ltd.	Limited liability company	120,000	120,000	70%	—	70%	—	Cargo stevedoring and barging
Xiamen Port Logistics Co., Ltd.	Limited liability company	65,000	65,000	—	55.26%	—	55.26%	Container deposit, land transport, international freight agency
Xiamen Haitian Container Terminal Co., Ltd.	Limited liability company	200,000	200,000	85%	8.29%	85%	8.29%	Container loading and unloading for international trade
Xiamen Port (Group) Domestic Shipping Agent Co., Ltd.	Limited liability company	2,000	2,000	—	44.10%	—	44.10%	Shipping agency services for domestic trade

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2006 (RMB'000)	2005 (RMB'000)	Attributable equity interests 2006 Directly held	2006 Indirectly held	2005 Directly held	2005 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Port Power Supply Service Co., Ltd.	Limited liability company	10,000	10,000	80%	18.66%	80%	18.66%	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Material Corporation Ltd.	Limited liability company	20,000	20,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.	Limited liability company	6,000	6,000	—	33.08%	—	33.08%	Agency services for import and export of products/ technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd.	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd.	Limited liability company	1,800	1,800	—	33.08%	—	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd.	Limited liability company	3,800	3,800	—	33.08%	—	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd.	Limited liability company	5,000	5,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	5,000	—	55.25%	—	55.25%	Agency services for import and export of products/ technology and operations of bonded warehouse

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

(a) Subsidiaries (Continued)

Name	Type of legal entity	Issued share/ paid-in capital 2006 (RMB'000)	2005 (RMB'000)	Attributable equity interests 2006 Directly held	2006 Indirectly held	2005 Directly held	2005 Indirectly held	Principal activities
Unlisted (Continued)								
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	25,000	—	—	55.23%	—	—	Container deposit, land transport
Xiamen Port trading Co., Ltd.	Limited liability company	10,000	—	—	55.13%	—	—	Commodity export agency and sales of building materials.

(b) Jointly controlled entities

As at 31 December 2006, the Group has interest in the following jointly controlled entities:

Name	Paid-in capital 2006 (RMB'000)	2005 (RMB'000)	Proportion of ownership held by the Group 2006	2005	Principal activities
Xiamen International Container Terminals Ltd.	1,148,700	1,148,700	51%	51%	Container loading and unloading for international trade
Xiamen Gangtong Logistic Co., Ltd.	5,000	—	50%	—	Container storage, and land transportation

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

(c) Associates

As at 31 December 2006, the Group has interests in the following associates:

Name	Type of legal entity	Issued share/ paid-in capital 2006 (RMB'000)	2005 (RMB'000)	Attributable equity interests 2006	2005	Principal activities
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	35.7%	35.7%	Provision of storage services
Quanzhou Qing Meng logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Sandeli Container Storage Co., Ltd.	Limited liability company	10,000	10,000	45%	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Harbour Lurong Water-and-Railway Coordinated Transportation Co., Ltd.	Limited liability company	500	500	48%	48%	Provision of railway cargo transportation and agency services
Xiamen Road and Bridge Concrete Engineering Corporation Ltd.	Limited liability company	40,000	40,000	15%	15%	Production and sale of concrete engineering construction

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

All subsidiaries, jointly controlled entities and associates are incorporated in Xiamen, the PRC.

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

Except for XPD which is listed company in the PRC, all subsidiaries, jointly controlled entities 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.

44. Subsequent events

(a) In relation to the Xiamen Xiangyu Free Trade Logistic Park Zone project (the "Project"), XPD entered into a land grant contract with Xiamen Land Bureau and Xiangyu Administrative Committee on 23 March 2007 (the "Contract"). Pursuant to the Contract Xiamen Land Bureau will grant the land use right of a portion of the land of 262,210.835 square meters to XPD for a consideration of approximately RMB214,488,000.

XPD will fund the consideration and compensation for the resumption of the land use rights in connection with the Project by its internal resources.

(b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The new CIT law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Company will continue to evaluate the impact as more detailed regulations are announced.