



Chairman's Statement

I am pleased to present the annual report of Xiamen International Port Co., Ltd (the “Company” or “Xiamen Port Co”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2006.

The year 2006 was the first full financial year of Xiamen Port Co since its listing. Leveraging on the sustainable and steady development of the economies of the PRC and Fujian Province and capitalising on the competitive advantages in terms of unique geographic location, water depth condition, operation scale and diversified ancillary value-added port services of the Group's terminals and strategic cooperation relationship with international transportation and logistics companies, the Group strived to fortify the construction of its core competitiveness by rendering better development in business expansion, cost control and information technology applications and attaining new level in overall operation quality and economic efficiency. I am pleased to announce that the Group achieved outstanding growth and excellent results in 2006 since our successful stride into the international capital market at the end of 2005.

During the year under review, the Group's results showed significant growth. For the year ended 31 December 2006, revenues, profit after tax and profit attributable to equity holders were RMB1,534,033,000, RMB410,600,000 and RMB280,985,000 respectively, representing respective growths of 17.9%, 19.4% and 15.4% over last year. Earnings per share for the year ended 31 December 2006 was RMB10.31 cents.

In view of the outstanding results and healthy financial conditions of Xiamen Port Co and to recompense shareholders for their continuous support and confidence in the Company, the Board of Directors of the Company resolved to recommend the payment of a final dividend of RMB6.5 cents per share, amounting to a total dividend of RMB177,203,000, with a dividend payout ratio of 42.3%. This is in line with the recommended dividend payout ratio as indicated in the prospectus of the Company dated 6 December 2005.

During the year, in order to dovetail with our overall sales and marketing strategy, the Group undertook integration of value-linked resources employed by port loading and unloading and ancillary value-added port services and maximised fully the synergy among different business segments internally in cultivating service brand name and improving the Group's capability against external competition and industry risks. At the same time, the Group made concerted efforts in nurturing new growth drivers of the container business by expanding freight sources in its port hinterland and

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strengthening its in-depth development of target markets. The newly constructed Hairun Terminal became fully operational in the second half of 2006 as scheduled and attracted the participation of ocean-going container routes of major shipping lines. Full efforts have been made in promoting sea-rail transshipment business in order to expand the economic hinterland of Xiamen Port. Up to the present moment, the sea-rail transshipment business of containers between Xiamen and Nanchang and Ganzhou in Jiangxi Province has been initially established with more development in the expansion of the bulk cargo markets in southern Jiangxi and Hunan Provinces. Containers handled by the Group increased by approximately 14.75% from 2.63 million TEUs in 2005 to 3.02 million TEUs in 2006 and bulk/general cargo increased by approximately 3.44% from 4.12 million tonnes in 2005 to 4.26 million tonnes in 2006. The Group continued to attain its market leadership position as the largest port terminal operator in Xiamen by capturing approximately 75.21% and 51.32% respectively of the total containers handled in Xiamen and Fujian Province.

Concurrently, the Group is making full efforts in reducing overall operating costs. During the year, the Group had successfully achieved the conversion of Xiamen Port Co into a foreign invested company limited by shares and, by taking advantages of the relevant preferential policy associated with such type of company offered by the State, it has obtained tax preferential treatments in duty reductions and exemptions on imported equipment. The corporate income tax preferential treatment related to foreign investment enterprise, which would be beneficial to the Company in reducing tax charges, was also approved in January 2007. In addition, subject to the requirements of The Stock Exchange of Hong Kong Limited and the relevant rules and regulations in the PRC, the Group has formulated flexible measures in procuring coordination of funds usage among entities internally, thereby enhancing efficient funds usage and reducing finance costs. In respect of major cost items, such as tyres and lubrication oils used by vehicles for production purposes, computer consumables and office stationeries, the Group has centralised procurements in exercising stringent control over the procurement costs.

The Group firmly believes that technology is instrumental to the prosperity of a port as information technology will drive modernisation of port business, promote in-depth application of information technology and advanced equipment in port business and management. During the year, the Group's Haitian Terminal has successfully migrated to the SPARCS of Navis (USA) which has effectively enhanced its loading and unloading efficiency and market competitiveness and assisted the

sustained growth of its container handling volume. The Group has also developed or introduced network deployment system, vessel movement network reporting system, terminal video monitoring system and quick statistics system in upgrading the production, deployment and safety management efficiency of the port.

According to the forecast of the PRC government and relevant departments, the growth of gross national product in 2007 will be approximately 8%. China will continue to achieve its robust economic growth, maintain its status as the world's factory coupled with sustained growth in import and export trade. Both Fujian Province and Xiamen will facilitate the deepening of the work required for the construction of the Economic Zone on the Western Coast of the Taiwan Straits and the overall economic environment will continue to be sound. Accordingly, we expect that international trade will grow continually with similar growth in demands for port terminals, ancillary facilities and services, which will be beneficial to the Group.

Looking ahead, the Group will continue to enhance our competitiveness in our endeavour to become one of the leading port operators in the PRC at the international level. We shall continue to give our efforts in leading our peers in terms of business scale and service scope and further upgrade customer satisfaction. The Group will also continue to upgrade our information system and reinforce our cost control measures, as well as improve business workflows of our port terminals and related ancillary value-added services, upgrade service quality and efficiency, and enhance profitability in creating better value for shareholders.

Our 2006 results were inspired by the diligence of all the employees and supports of all the shareholders and partners of the Group to whom I express my sincere appreciation on behalf of the Group. The Group is confident in its future and, in line with our devoted professionalism, diligence and faithfulness, we shall recompense our shareholders with better results.

ZHENG Yongen

Chairman

Xiamen, PRC

10 April 2007