

Report of the Directors

The board of directors (the “Board”) of Xiamen International Port Co., Ltd (the “Company”) hereby present the report of the directors and the audited financial statements for the year ended 31 December 2006 of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”).

Principal activities and geographical analysis of operations

The Group is principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen city, PRC, and ancillary value-added port services including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying and building materials manufacturing, processing and selling (collectively the “Core Businesses”). Besides the Core Businesses, the Group is also engaged in long-term investment business. The principal activities of the subsidiaries of the Company are set out in note 43 to the financial statements.

Details of the Group’s operating results for the year by business segments are set out in note 29 to the financial statements. No analysis by geographical segment is presented as all of the Group’s activities are conducted in the PRC.

Conversion and amendment to the Articles

Upon obtaining shareholders’ approval at the 2005 Annual General Meeting of the Company (“2005 AGM”) held on 16 June 2006, the Company, through the Xiamen Municipal Foreign Investment Bureau, applied to the PRC Ministry of Commerce for conversion into a foreign invested company limited by shares. On 23 August 2006, the PRC Ministry of Commerce approved the conversion of the Company into a foreign invested company limited by shares by means of the document Shang Zi Pi [2006] No. 1725 “Approval reply by the Ministry of Commerce in respect of the agreement to the conversion of Xiamen International Port Co., Ltd into a foreign invested company limited by shares”.

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Pursuant to the said approval obtained at the 2005 AGM and to fulfil the requirements of the Ministry of Commerce and other relevant departments, the Board had approved on 29 August 2006 the following amendments to the Articles of Association:

Article 180 originally reads: “Where the amendment of the Articles of Association involves the Mandatory Provisions for Companies Listing Overseas issued on 27 August 1994 by the State Council Securities Commission and the State Commission for Restructuring the Economic System (the “Mandatory Provisions”), the amendment must be approved by authorities delegated by the State Council for approval of company affairs and competent authorities under the State Council governing securities affairs before taking effect; where company registration is involved, registration of the change shall be duly processed in accordance with the law.”

Article 180 as amended now reads: “The amendment to the Articles of Association (including but not limited to changes in registered capital) shall be approved by the original authorities for the approval of commercial affairs in accordance with relevant laws and regulations governing foreign investment enterprises; where it involves the Mandatory Provisions for Companies Listing Overseas issued on 27 August 1994 by the State Council Securities Commission and the State Commission for Restructuring the Economic System (the “Mandatory Provisions”), must be approved by authorities delegated by the State Council for approval of company affairs and competent authorities under the State Council governing securities affairs before taking effect; where company registration is involved, registration of the change shall be duly processed in accordance with the law.”

On 4 September 2006, the Foreign Investment Enterprise Registration Bureau of the State Administration for Industry and Commerce authorised the Xiamen Municipal Administration for Industry and Commerce to deal with the registration and day-to-day supervision and administration of the Company by means of the document Gong Shang Wai Qi Shou Han [2006] No. 132 “Letter of authorisation for the registration and administration of Xiamen International Port., Co”, pursuant to which, the Company had completed the relevant registration procedures with the Xiamen Municipal Administration for Industry and Commerce in relation to the conversion of the Company to a foreign invested company limited by shares on 11 September 2006.

According to the relevant laws and regulations of the PRC, the Company, upon being converted into a foreign invested company limited by shares, shall enjoy tax preference treatments such as reduction and exemption of enterprise income tax and the tax levied on imported equipment, subject to the approvals of relevant government departments. Details are set below in the sections headed “Taxation” and “Subsequent Events”.

Results

The Group's results for the year are set out in the consolidated income statement on page 81.

Dividend

The Board resolved to recommend the payment of a final dividend of RMB6.5 cents per share, aggregating RMB177,203,000 to all shareholders whose names appeared on the registers of members on 7 June 2007 (being the record date), subject to the approval of the same at the forthcoming annual general meeting to be held on 8 June 2007.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment are set out in note 5 to the financial statements.

Donations

For the year ended 31 December 2006, total donations made by the Group were approximately RMB196,327.

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Share Capital

The table below sets out the share capital structure of the Company as at 31 December 2006:

Class of shares	Number of shares	Percentage (%)
Domestic shares	1,739,500,000	63.81
H Shares	986,700,000	36.19
Total	2,726,200,000	100.00

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 on 29 December 2005, which had been granted as part of global offering of the H Shares. In this exercise, Xiamen Port Holding has also transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the “NCSSF”) and NCSSF entrusted the Company to sell the 11,700,000 shares right immediately after the share transfer. The Company converted these shares into H shares and sold them together with the additional H shares.

Reserves available for distribution

Pursuant to the PRC Company Law, the Company may distribute dividend only out of the profit currently available for distribution, being the balance of the net profit after tax of the Company after deducting (i) accumulated losses of prior years, and (ii) allocations to statutory surplus reserve and, if any, the discretionary profit reserve (in order of their priorities). Pursuant to the Articles of Association of the Company, in determining the profit available for distribution, the profit after tax of the Company shall be the lower of the profit after tax calculated in accordance with (i) the PRC Accounting Standards and Regulations and (ii) the generally accepted accounting principles in Hong Kong.

On 31 December 2006, the amount of reserves available for distribution, calculated on the above basis, was approximately RMB448,556,000.

Pre-emption rights

Pursuant to the Articles of Association of the Company and the PRC laws, there is no provision for pre-emption which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Financial highlights

Highlights of the Group's results and assets and liabilities are set out on page 4.

Purchase, sale and redemption of securities

For the year ended 31 December 2006, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

Acquisitions and disposals

For the year ended 31 December 2006, the Group did not make any major acquisition or disposal of its subsidiaries, jointly controlled entities and associated companies.

Directors and Supervisors

As at 31 December 2006, the Board comprises twelve Directors, including five Executive Directors, Mr. ZENG Yingguo, Mr. CHEN Dingyu, Mr. FANG Yao, Mr. HUANG Zirong and Mr. LIN Kaibiao; four Non-executive Directors, Mr. ZHENG Yongen, Mr. FU Chengjing, Ms. MIAO Luping and Mr. KE Dong; and three Independent Non-executive Directors, Mr. HUANG Shizhong, Mr. ZHEN Hong and Mr. HUI Wang Chuen. The Supervisory Committee comprises five Supervisors, including three supervisors, Mr. FANG Zuhui, Mr. LUO Jianzhong and Mr. WU Jianliang; and two independent supervisors, Mr. TANG Jinmu and Mr. HE Shaoping.

At the seventeenth meeting of the first session of the Board held on 10 April 2007, the Board had accepted the resignation of Mr. ZENG Yingguo as Chairman and Director of the Company, the retirement of Mr. Lin Kaibiao, as Director and deputy general manager of the Company, and the appointment of Mr. ZHENG Yongen, as Director and Chairman of the Board of the Company. The

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Board also approved the re-designation of Mr. ZHENG Yongen from Non-executive Director to Executive Director and the re-designation of Mr. LIN Kaibiao from Executive Director to Non-executive Director. Further, the meeting also resolved that subject to shareholders' approval at the forthcoming 2006 Annual General Meeting of the Company, Ms. HONG Lijuan be appointed as an Executive Director to fill the casual vacancy of the Board of the Company, for a term of appointment from the date of passing the relevant shareholders' resolution at the forthcoming 2006 Annual General Meeting until the expiry of the term of the current session of the Board.

As the Articles of Association of the Company does not have any provision on director's retirement by rotation, all existing Directors will remain in office.

Directors' and Supervisors' service contracts

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company for a term of not more than three years. The Company did not enter into a service contract with any Director or Supervisor, which is indeterminable by the Company within one year without payment, other than statutory compensation.

Remuneration of the Directors and Supervisors

Details of the remuneration of the Directors and Supervisors are set out in note 38 to the financial statements.

Directors' and Supervisors' interests in contracts

The Directors or Supervisors did not have any contracts of significance to which the Company, its subsidiaries, its fellow subsidiaries or its ultimate holding company was a party in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

Biographies of Directors, Supervisors and Senior Management

Biographies of Directors, Supervisors and Senior Management are set out on pages 46 to 54.

Rights to enable Directors and Supervisors to acquire shares or debentures

At any time during the year ended 31 December 2006, the Company, its subsidiaries, its fellow subsidiaries or its ultimate holding company was not a party to any arrangement which would enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' and Supervisors' interests in shares

As at 31 December 2006, none of the Directors, Supervisors or their associates has any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director or Supervisor is deemed or taken to be under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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Substantial shareholders' interests

As at 31 December 2006, so far as was known to the Directors of the Company, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Class of shares	Number of shares	Capacity	As a % of the relevant class of share capital	As a % of total share capital
Xiamen Port Holding Group Co. Ltd.	Domestic Shares	1,666,300,000 (Long position)	Beneficial owner	95.79%	61.12%
China Shipping (Group) Co. (Note 1)	H Shares	107,938,000 (Long position)	Interest of controlled corporation	10.94%	3.96%
China Shipping (Hong Kong) Holdings Co, Limited (Note 1)	H Shares	107,938,000 (Long position)	Interest of controlled corporation	10.94%	3.96%
China Shipping Terminal Development (Hong Kong) Company Limited (Note 1)	H Shares	107,938,000 (Long position)	Beneficial owner	10.94%	3.96%
Platinum Asset Management Limited	H Shares	80,319,000 (Long position)	Trustee	8.14%	2.95%
ING Groep N.V.	H Shares	71,020,837 (Long position)	Investment manager	7.20%	2.61%

Note 1: The 107,938,000 shares referred to the same batch of shares

Save as disclosed above, as at 31 December 2006, so far as was known to the Directors of the Company, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Contracts

During the year, the Company did not enter into any contract in respect of the management or administration of the entire business or any significant business of the Group.

Major Customers and Suppliers

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

Save for China Shipping (Group) Co., which has an attributable interest of 3.96% in the issued share capital of the Company as at 31 December 2006, holds 59.87% interest in China Shipping Container Lines Co., Ltd., one of the five largest customers of the Group, none of the Directors, Supervisors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest customers or the five largest suppliers of the Group.

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Connected Transactions

In 2006, the Group entered into certain one-off connected transactions with the controlling shareholder of the Company, Xiamen Port Holding.

On 7 July 2006, the Company entered into an agreement with Xiamen Port Holding in relation to the transfer of 30% equity interest in Fujian Electron Port Inc. ("Fujian Electron") held by the Company to Xiamen Port Holding at a consideration of RMB4,648,269. At the same time, the operating profit or loss attributable to the 30% equity interest in Fujian Electron for the period of 1 January 2006 to the date of completion of the transaction shall be vested with or borne by Xiamen Port Holding. Fujian Electron and Xiamen Port Holding had completed the relevant registration procedures with the Xiamen Municipal Administration for Industry and Commerce in relation to the transfer of equity interest on 12 September 2006. The Company had received from Xiamen Port Holding the consideration in full on 30 November 2006.

Fujian Electron is principally engaged in electronic business application software development and system consolidation, and the building and operation of regional logistic information platform. As the principal business of Fujian Electron is different from that of the Company, the Board approved the transfer of 30% equity interest in Fujian Electron so as to strengthen the focus of the Company's principal business, improve the assets portfolio of the Group and provide a positive cashflow to the Company.

On 29 August 2006, Xiamen Port Holding and Xiamen Port Transportation Company Limited ("Xiamen Port Transportation", a subsidiary of the Company) entered into an agreement in relation to the transfer of trailers, trucks and other devices ancillary with freight forwarding business operation by Xiamen Port Holding to Xiamen Port Transportation at a consideration of RMB4,755,468.

The assets acquired, which primarily comprise trailers and trucks owned by Xiamen Port Holding, were used previously for engagement of freight forwarding business, which the Group also operates. Pursuant to the non-competition undertaking given by Xiamen Port Holding in connection with the Company's listing on the Stock Exchange, the said business of Xiamen Port Holding was suspended and the ancillary trailers and trucks and other facilities were pending disposal. Given the specialised usage of the relevant assets are fit for and needed by the Group, the Directors consider that it is beneficial for the Group to acquire those assets for expansion of its business.

Set out below is a table summarising the aforesaid one-off connected transactions.

Transactions	Connected person	Date of the agreement	Amount (RMB)
A. Transfer of the Company's 30% equity interest in Fujian Electron	Xiamen Port Holding	7 July 2006	4,648,269
B. Sales of trailers and other assets to Xiamen Port Transportation Company Limited	Xiamen Port Holding	29 August 2006	4,755,468

Note: As at 31 December 2006, all the procedures in relation to transactions A and B above such as the procedures for registration of the transfer of equity interest and change of business particulars and the procedures for the transfer of assets and payment of consideration have been completed.

In 2006, according to the demand of business of the Group, the Group entered into certain non-exempt continuing connected transactions with Xiamen Port Holding and its subsidiaries (collectively, the "Xiamen Port Holding Group") and certain other parties outside the Group. Set out below is a table summarising the aforesaid non-exempt continuing connected transactions.

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Services	Connected Person	2006	
		Proposed annual cap (RMB)	Actual amount incurred (RMB)
A. Office and premises lease	Xiamen Port Holding Group	12,200,000	12,007,000
B. Logistical property services	Xiamen Port Holding Group	7,080,000	5,495,000
C. Comprehensive services	Xiamen Port Holding Group	21,690,000	19,270,000
D. Construction project Management	Xiamen Port Holding Group	9,000,000	8,438,000
E. Port facilities engineering and construction	Xiamen Port Holding Group	22,300,000	16,794,000
F. Port-related labour services	Xiamen Port Holding Group	28,400,000	20,313,000
G. Electrical equipment maintenance	Xiamen Port Holding Group	9,720,000	3,336,000
H. Port services	COSCO Container Co. Ltd.	76,380,000	59,656,000
I. Port services	Xiamen Tidak International Transportation Co. Ltd.	3,580,000	2,958,000

In 2006, according to the demand of business of the Group, members of the Group also entered into certain intra-group transactions which constituted non-exempt continuing connected transactions of the Company. Set out below are details of the aforesaid transactions.

Each of Xiamen International Container Terminal Ltd. ("XICT") and Xiamen Penavico International Freight and Forwarding Co., Ltd ("Xiamen Penavico International Freight") is a non wholly-owned subsidiary of the Company having a shareholder outside the Group holding more than 30% equity interest in and involving in business management by appointing director(s)/senior management to the relevant subsidiary. Hence, each of XICT and Xiamen Penavico International Freight is deemed a connected person of the Company pursuant to Rule 14A.06 of the Listing Rules and transactions among those companies and/or with other members of the Group and/or other connected persons of the Group constitute connected transactions of the Company.

XICT and Xiamen Haitian Container Terminals Co. Ltd. ("Xiamen Haitian Company", a non wholly-owned subsidiary of the Company), as owners and operators of terminals, have been providing port-related services to Xiamen Port Logistics Co. Ltd ("Xiamen Port Logistics", an indirect non wholly-owned subsidiary of the Company) and Xiamen Penavico International Freight when the latter conduct container and freight forwarding business for third party cargo owners at the relevant terminals. Xiamen Port Logistics and Xiamen Port Transportation (a company invested and established by Xiamen Port Logistics in June 2006 for the purposes of specialisation) also provides container surface forwarding services for XICT. In order to enhance the utilisation rate of the terminal, XICT and the Company's Hairun terminal provide berthing and unberthing terminal operation services for one another from time to time. For such purpose, XICT also has temporarily used the Company's Haicang berth no. 1. The relevant port service fees and container forwarding fees are charged at tariffs either prescribed by Ministry of Communication and the Pricing Bureau of Xiamen Municipal Government or, if there is no such prescribed tariffs, at tariffs determined by the parties with reference to prevailing market rates. Certain contracts were entered into among those members of

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the Group setting out the terms and conditions of the provision of the relevant services. A summary of the aforesaid contracts is set out in the table below.

Service Provider		Service Receiver	Service Scope	Term of Contract
1.	Xiamen Port Logistics (service succeeded by Xiamen Port Transportation from 1 July 2006)	XICT	Container surface forwarding	1 January 2005 to 31 December 2007
2.	Xiamen Haitian Company	Xiamen Penavico International Freight	Port-related services	1 January 2005 to 31 December 2007
3.	XICT	Xiamen Penavico International Freight	Port-related services	1 January 2005 to 31 December 2007
4.	XICT	Xiamen Port Logistics	Port-related services	1 January 2005 to 31 December 2007
5.	The Company	XICT	Use of terminal assets	1 September 2006 to 28 February 2007
6.	The Company	XICT	Terminal operation services	1 July 2006 to 31 December 2007

For the year ended 31 December 2006, the proposed aggregate cap of the above transactions numbered 1 to 4 was RMB14,778,523, and the actual amount incurred was RMB14,752,000; for the year ended 31 December 2006, the proposed aggregated cap of transaction numbered 5 was RMB9,900,000, and the actual amount incurred was RMB6,500,000; and for the year ended 31 December 2006, the proposed aggregate cap of transaction numbered 6 was RMB3,650,000, and the actual amount incurred was RMB2,841,000.

In respect of transactions numbered 1 to 4, the Stock Exchange has granted a waiver to the Company for a period ending on 31 December 2007 from strict compliance with the announcement and/or independent shareholders' approval requirements (where applicable) under the Listing Rules in connection with those non-exempt continuing connected transactions.

The independent non-executive Directors, Mr. HUANG Shizhong, Mr. ZHEN Hong and Mr. HUI Wang Chuen, have reviewed the above continuing connected transactions and confirmed that those transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company and the Group (where appropriate);
- (2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above connected transactions disclosed herein for the year ended 31 December 2006 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that the aforesaid connected transactions have been:

- (1) approved by the Board of the Company;
- (2) with respect to connected transactions of revenue in nature, entered into in accordance with the pricing policies of the Company;
- (3) entered into in accordance with the terms of the agreements governing the relevant transactions; and
- (4) within the relevant caps disclosed previously.

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Pension Scheme

Details of the pension schemes of the Group are set out in note 31 to the financial statements.

Use of H Share Proceeds

As at 31 December 2006, the Group utilised approximately RMB649 million of the proceeds from the listing of H Shares to repay bank loans and the application of proceeds to repay bank loans as specified in the prospectus of the Company dated 6 December 2005 (the “Prospectus”) was fully used; approximately RMB218 million of the proceeds to fund the construction of berth numbers 1, 4 and 5 of Haicang port area, with a balance of RMB231 million remaining for terminal construction as specified in the Prospectus; approximately RMB57.1 million had been used for general working capital, of which RMB35 million has been applied to repay working capital borrowings from banks. A total of RMB924 million has been utilised for the above 3 applications, with a remaining balance of approximately RMB260 million. Nevertheless, there is no material change in the proposed use of net proceeds as stated in the Prospectus.

Entrusted Deposits and Overdue Deposits

On 31 December 2006, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

Taxation

Subsequent to the conversion of the Company into a foreign invested company limited by shares on 11 September 2006, the PRC Ministry of Commerce issued the “Confirmation certificate in respect of foreign investment project encouraged for development by the State” (Code: Shang Zi Que [2006] No. 33) to the Company on 7 November 2006. The certificate authorised the Company to apply to the local customs at the location of the project for duty exemption on imported equipment in accordance with the relevant requirements. Concurrently, in accordance with the provisions of the “Income Tax Law of Foreign Investment Enterprises and Foreign Enterprises of the People’s Republic of China” and other relevant laws, the profit of the Company arising from production and operation of port and terminal construction shall be exempt from enterprise income tax for the first five years commencing from the first profitable year of the Company, and a 50% reduction of enterprise income tax from the sixth to the tenth years, subject to the approvals of the relevant tax departments of the government.

Save as aforesaid, the Company is not aware of any entitlement to tax reduction and exemption as a result of holding securities of the Company.

Compliance with Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since it was listed on the Stock Exchange on 19 December 2005. Details of the discussion of such compliance are set out in the “Corporate Governance Report” section of this report.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the Listing Rules as at the date of this Annual Report.

Subsequent event

- (1) On 25 January 2007, the branch office of the State Tax Administration in Xiamen approved that the profit of the Company arising from the activities of production and operation of port and terminal construction shall be exempt from enterprise income tax for the first five years commencing from the first profitable year of the Company and a 50% reduction of enterprise income tax from the sixth to the tenth years by issuing the document Xia Guo Shui Zhi Han [2007] No. 1 “Letter in respect of the agreement to the application of Xiamen International Port Co., Ltd for reduction and exemption of income tax of foreign investment enterprises and foreign enterprises”. However, in the event that the actual period of production and operation of the Company does not exceed fifteen years, all enterprise income taxes of a foreign investment enterprise so exempted or reduced shall be repayable. On 16 March 2007, the branch office of the State Tax Administration in Xiamen agreed that the period for calculation of exemption and reduction of enterprise income tax shall commence from 2007 by issuing the document Xia Guo Shui Zhi Shu Zheng Zi [2007] No. 47 “Letter in respect of the advice to the application of Xiamen International Port Co., Ltd for 2007 to be the year of commencement for the calculation of exemption and reduction of enterprises income tax”.

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- (2) On 28 November 2006, the fifteenth meeting of the first session of the Board of the Company passed a resolution which approved the acquisition of the land use rights in respect of 262,210.835 square metres of land for the construction and development of the first phase of Xiamen Xiangyu Free Trade Zone Logistic Park by Xiamen Port Development Co., Ltd. ("XPD") from Xiamen Xiangyu Free Trade Zone Administrative Committee ("Xiangyu Administrative Committee") for a consideration of RMB214,488,463.03. The aforementioned land includes 154,009.17 and 49,260.40 square metres of land which were resumed by Xiangyu Administrative committee from XPD and Xiamen Port Holding respectively and which were originally owned by XPD and leased by Xiamen Port Holding to XPD respectively. The Company considered the transaction involving the acquisition of the 49,260.40 square metres of land as a connected transaction pursuant to the Listing Rules. The relevant consideration for the transaction was approximately RMB40,295,007. On 23 March 2007, on the basis of the aforementioned resolution, XPD entered into a land grant contract with The Land Resources and Management Bureau of Xiamen and Xiangyu Administrative Committee. As of the date of the publication of these consolidated financial statements, XPD has paid the aggregate consideration of RMB214,488,463.03.

Auditors

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, who will retire at the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers as the auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

ZHENG Yongen

Chairman

Xiamen, PRC

10 April 2007