

Chairman's statement

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“The Group has confidence in its business prospects and intends to share outstanding results with shareholders.”

I am pleased to present the first 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 2005 and since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 December 2005.

2005 heralded an important milestone for Xiamen Port Co as it had hurdled successfully into the international capital market. The Company completed its reorganisation in 2005, and was listed on the Main Board of the Stock Exchange on 19 December 2005 as China's first pure port terminal operating company listed on the Stock Exchange. With enthusiastic supports of institutional and individual investors, our public offering in Hong Kong achieved excellent results with an over-subscription of 94 times. Proceeds of the offering after deducting underwriting fees and expenses payable by the Company in relation to the offering reached HK\$1,000 million, with an additional HK\$157 million being derived from the exercise of the over-allotment option by BNP Paribas Peregrine Capital Limited on 29 December 2005. Moreover, our public offering received supports successfully from several strategic and institutional investors, which included China Shipping (Group) Company ("China Shipping"). One subsidiary of China Shipping was placed 130,460,000 H shares in the strategic placing and another subsidiary of China Shipping was allocated an additional 13,000,000 H shares, amounting to a total shareholding of 5.5% of the Company's entire issued share capital in issue as at 31 December 2005 (without taking into account the additional H shares to be issued upon the exercise of the Over-allotment Option), thus highlighting investors' and shareholders' acknowledgement of the Group's position and prospect.

Capitalising on the economies of scale of Xiamen Port Co's enormous port operation, one-stop cargo shipping services for customers, unique geographic location, strategic cooperation with well-known port operators and highly experienced management, the Group achieved outstanding growth and results in 2005. The Group's turnover increased significantly by approximately 14.4% to RMB1,300,586,000 for the year ended 31 December 2005. Such increase was primarily attributable to satisfactory increases in turnover from the Group's container loading and unloading and storage business, ancillary value-added port services and manufacturing and selling of building materials. The Group's net profit increased notably by approximately 4.7% to RMB243,554,000, much higher than the profit forecast as set out in the prospectus of the Company dated 6 December 2005 (the "Prospectus"), and the Company recorded on earnings per share of RMB13.33 cents for the year under review.

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The market leader and the largest port terminal operator in Xiamen

The board of directors proposed not to distribute any final dividend for the year ended 31 December 2005 temporarily.

During the year, containers handled by the Group increased by approximately 18.62% from 2.22 million TEUs in 2004 to 2.63 million TEUs in 2005. Bulk/general cargo handled by the Group increased by approximately 4.75% from 3.93 million tonnes in 2004 to 4.12 million tonnes in 2005. As the market leader and the largest port terminal operator in Xiamen, containers handled by the Group accounted for approximately 78.69% and 53.41% respectively of total containers handled in Xiamen and Fujian Province in 2005.

As the largest port terminal operator in Xiamen, Xiamen Port Co. is also the only company in Xiamen engaged in comprehensive port related value-added services involving all major businesses relating to bulk/general cargo and container import and export trade. With continuing increase in market demand for port logistics and related services, the Group has been proactive, during the year under review, in business development so as to provide more efficient and premier port value-added services for customers. Based on the Group's unique port terminals and facilities, we also provide tailor-made services for customers. With continuing cooperation with international port and shipping operators, the Group shares management and operation skills with our partners, thus enjoys technology transfers and a global network. After stepping on to the international business platform, Xiamen Port Co persists in acquiring management skills for international port operation, further enhancing the Group's operational efficiency and becoming an international port terminal operator step by step.

Looking ahead, as the PRC Government and related ministries estimated that its national economic growth rate and size of its foreign trade growth rate in 2006 shall be approximately 8% and 15% respectively, we thus expect sustainable growth in international trade. To meet increasing demand for port terminal services from existing and potential customers, the Group intends to increase the number of its berths and terminals (berths number 1, 4 and 5 in the Haicang port area will be completed in 2006) and upgrade its loading and unloading capacity, so as to enhance the Group's container and cargo throughput capacity, as well as operational efficiency. The Group will also operate a "bonded logistics

park” for container vanning and devanning to allow free consolidation of goods within the park, so as to provide more efficient port services, improve international transshipment, goods segmentation, sourcing and trading, and attract more business. Moreover, the Group will actively seek opportunities for strategic cooperation with major international port terminal operators, and strive to expand our business network globally through increasing of international cooperation platforms, so as to acquire more experience in international port operation and become one of the leading international port operators in China. The Group has confidence in its business prospects and intends to share outstanding results with shareholders.

I would like to, on behalf of Xiamen Port Co, extend my gratitude to shareholders and business partners for their continuing support for and confidence in Xiamen Port Co., and to employees for their efforts, to jointly make our outstanding achievements possible in 2005.

ZENG Yingguo

Chairman

Xiamen

18 April 2006

*Become one of the
leading international
port operators in China*