

**Main Board H-share Listing – Research**

廈門國際港務股份有限公司

Xiamen International Port Co., Ltd [Stock Code: 3378]**Sole Global Coordinator, Bookrunner, Lead Manager and Sponsor**

: BNP Paribas Peregrine Capital Limited

**Sector** : Transportation**Business** : Port terminal operator in Xiamen**Total share offer:** 858,000,000 H shares  
(32.88% of the enlarged share capital)**Public Offer:** 85,800,000 H shares (10%)**Placing:** 772,200,000 H shares (90%)**Greenshoe:** 128,700,000 H shares (15%)**Price:** HK\$1.18 – HK\$1.42 per H share**Market Cap.:** HK\$1.01 billion – HK\$1.22 billion**Pro Forma 2005E P/E:** 13.3x – 16.0x**Adjusted NTA per share:** HK\$0.936 – HK\$1.000**Staffing:** 4,317**Book opens:** 1<sup>st</sup> December 2005**Book closes:** 9<sup>th</sup> December 2005**HK Public Offer period:**6<sup>th</sup> December 2005 – 9<sup>th</sup> December 2005**Receiving bank:** Standard Chartered Bank,  
ICBC (Asia)**Share registrar:** Computershare Hong Kong  
Investor Services Limited**Listing date:** 19<sup>th</sup> December 2005**Business of Xiamen International Port**

The Group is principally engaged in (1) container loading and unloading and storage for international and domestic trade, (2) bulk/general cargo loading and unloading for international and domestic trade, and (3) ancillary value-added port services, including shipping agency, tallying, berthing and unberthing, and port-related logistics in Xiamen. In addition, the Group also engages in the manufacturing and selling of building materials.

The Group is the largest port terminal operator in Xiamen, which ranked seventh in the PRC in terms of container throughput in 2004. During the same year, the Group's cargo throughput was approximately 23.6 million tonnes, representing a market share of approximately 55.5% in Xiamen and approximately 15.0% in Fujian Province, and its container throughput was approximately 2.2 million TEU, representing a market share of approximately 77.2% in Xiamen and approximately 52.1% in Fujian Province.

The Group operates 2 international container terminals, namely the Hai Tian container terminals with 7 berths in the Dongdu port area and XICT container terminal with 2 berths in the Haicang port area.

**Major Shareholders after Listing** (Assuming the over-allotment option is not exercised)

Xiamen Port Holding, a wholly State-owned enterprise under the supervision of Xiamen Finances Bureau	64.32%
Other domestic shareholders <sup>(1)</sup>	2.80%
China Shipping (Group) Company <sup>(2)</sup>	5.00%
	<u>67.12%</u>

<sup>(1)</sup> Xiamen International Airport, Xiamen Luqiao Investment, Xiamen Commercial Group and Xiamen State-owned Asset Management each holds a 0.70% stake.

<sup>(2)</sup> China Shipping agreed to subscribe for 130.46 million H shares in the offering through its wholly-owned subsidiary China Shipping Terminal Development (Hong Kong) Company Limited.

### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$926 million.

(Assuming the over-allotment option is not exercised, and at an issue price of HK\$1.30 each, being the mid-point of the indicative price range)

	HK\$ million
To fund the construction of new berths, including berth number 1, 4 and 5 located in the Haicang port area in Xiamen	432
To repay loan	432
General working capital	62

### Financial Highlights

	Year ended 31 <sup>st</sup> December			7 months ended
	2002	2003	2004	31 <sup>st</sup> July 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	840,348	975,128	1,136,923	703,331
Gross profit	387,489	430,569	508,665	325,654
Operating profit	278,746	251,295	387,676	266,990
<b>Net profit</b>	<b>157,205</b>	<b>144,100</b>	<b>232,712</b>	<b>148,457</b>
<b>EPS – Basic (RMB cents)</b>	<b>8.95</b>	<b>8.21</b>	<b>13.25</b>	<b>8.35</b>

### Strengths/Opportunities

- ✓ The container throughput in Xiamen grew at a CAGR of 27.6% from 2000 to 2004. The Group, which accounts for a market share of approximately 77.2% in Xiamen, should benefit from the continued growth in trade flows along the south-eastern coast of China.
- ✓ The Group has options to purchase, lease or manage port-related assets of its parent company Xiamen Port Holding, whose projects under construction have an aggregate capacity of 2.0 million TEU, which translates to around 90% of the Group's existing capacity.
- ✓ Owing to improving economies of scale, the Group's operating margin strengthened from 25.8% in 2003 to 34.1% in 2004, and further to 38.0% in the first 7 months of 2005.
- ✓ The Group has joint venture partner relationships with Hutchison Ports for the operation of port terminals and China Ocean Shipping Agency Co for the operation of shipping agency. These relationships allow it to gain exposure to the partners' management and operational expertise.

### Weaknesses/Threats

- × The Group faces competition from other port terminal operators within the Xiamen port and surrounding ports including Quanzhou, Zhangzhou, Fuzhou and Kaohsiung, Taiwan. Furthermore, China's accession to the WTO might introduce foreign-investment enterprises to enter the port industry and intensify competition.
- × Currently, relevant fees and charges on port operations in China are governed by the PRC regulations. Any changes to regulations will have a material effect on the Group's business.
- × Priced at 13.3x to 16.0x 2005E P/E, valuation of the counter is in-line with 14.4x for Shanghai Port Container but higher than 11.2x for Shenzhen Chiwan Wharf.

**Recommendation: Trading Buy**