CMHI profit attributable to shareholders amounts to HK$ 1,728 million meeting expectation

10 September 2009, Hong Kong - China Merchants Holdings (International) Company Limited (“the Company” or "CMHI"; HKSE code: 144) is pleased to announce that, for the half year ended 30 June 2009, the profit attributable to shareholders of the Group (“the Company and its subsidiaries”) dropped 14.4% to HK$ 1,728 million when compared to the same period last year. Basic earnings per share decreased 15% to approximately HK 71.3 cents.

For the first half of 2009, the global market has further contracted, a double-digit decline in foreign trade of China was recorded, and it inevitably posed a greater impact on the port operations of the Company. Revenue[1] of the Group and EBITDA[2] decreased by 49.2% and 19.4% to HK$8,046 million and HK$ 3,196 million year-on-year respectively. Furthermore, EBITDA from the core ports operation amounted to HK$2,637 million, representing a decrease of 18.7% when compared to the same period last year. Thanks to the disposal of Hempel-Hai Hong’ s paint business, it registered an exceptional gain of HK$492 million for the Group; the proceeds of the sale would be used for the development of its core business.

The performance of the Company's ports-related operation for the first half of 2009 has been adversely affected by the unfavorable external environment. In the first half of the year, the CIMC Group sold a total of 45,000 transportation vehicles and 55,000 TEUs of containers, representing substantial year-on-year decreases of 36.6% and 94.7% respectively. Profit generated by the Group’ s ports-related operation amounted to approximately HK$233 million and EBITDA generated by the Group’ s port-related operation amounted to HK$448 million year-on-year.

To reward the shareholders for their continuous support for CMHI, the Board of Directors recommended an interim dividend of HK 25 cents (with scrip share option) for each share, denoting a payout ratio of 35.1%.

Group’ s ports operation first registers negative growth hit by the slump in world trade

With the contracting global import and export, a double-digit decline in China’ s import and export was recorded; these have inevitably led to a slump in the container throughput of the Group, when compared to the high level achieved during the first half of last year. The total container and bulk cargo throughputs of the Group dropped 19.1% and 5.2% respectively.

The port companies as invested by or invested and managed by the Group handled an aggregate container throughput of 20.35 million TEUs, a decrease of approximately 19.1% over that of last year while a throughput of 17.6 million TEUs was handled in the mainland, a decline of 18.8% when compared to the corresponding period. The terminals invested and managed by the Group in Western Shenzhen port area recorded a total container throughput of 4.23 million TEUs, a decrease of 27.9%. Shanghai International Port (Group) Co., Ltd ("SIPG") handled 11.67 million TEUs, a decrease of 15.5% year-on-year. The container throughput of Ningbo Daxie China Merchants International Terminals Co., Ltd. grew by about 7.9% to 517,000 TEUs. Tianjin Five Continents International Container Terminal Co., Ltd. recorded a container throughput of 944,000 TEUs, a decline of 2% over the corresponding period of the previous year. Zhangzhou China Merchants Port Co., Ltd. handled a container throughput of 143,000 TEUs, dropped by 31.9%. The terminals invested and managed by the Group in Hong Kong recorded a total container throughput of 2.75 million TEUs, dropped by 20.9% year-on-year. The container throughput handled by Modern Terminals Limited (“Modern Terminals”), in which the Group has interests, dropped by 16.4% to 2.46 million TEUs, which outperformed Hong Kong Kwai Tsing Container Terminals.

For bulk cargo operation, the total bulk cargo throughput reached 108 million tons, dropped 5.2%. Zhanjiang Port (Group) Co., Ltd. handled 29.05 million tons of goods, dropped by 7.2%. The bulk cargo throughput in Western Shenzhen port area reached 17.09 million tons, similar to the corresponding period of last year. Zhangzhou China Merchants Port Co., Ltd. handled 3.37 million tons, with an increase of 6.7%. SIPG’ s bulk cargo throughput amounted to 58.48 million tons, a decline of 6.7%.

Ports operation performance meets expectation by reinforcing cost control and stabilizing profit

Along with the continuous weakening of world trade and shrinking of shipping volume came the adoption by shipping companies of measures to reduce operating costs: such as reducing shipping, re-adjusting shipping routes and enhancing cooperation as alliance by sharing vessels. These measures combined have inevitably led to an increasing concentration of calling ports and, in turn, altered the pattern of container volume distribution among various ports. Dr. Hu Jianhua, Deputy Managing Director of CMHI said, “In response to prevailing market changes, the Group has, on the one hand, stepped up its communications with clients with a view to assisting them ride through, as much as possible, the difficult time prevailing. The Group has, on the other hand, optimized the effect of internal management through scheduling of adequate investment pace provided its production and service efficiency remains unaffected as well as continuing implementation of cost-control measures through procedural streamlining and technological innovations. The energy-saving endeavors which the Group’ s terminals have been embarking on for a number of years gathered critical momentum in that the convergence from consuming oil to consuming electricity for gantry cranes at container depots have not only significantly lowered the Group’ s power consumption and hence its operational costs, but also helped to bring the Group one step forward towards its goal of becoming a green port. The Group’s efforts in controlling operational and financial costs have been evident, which in turn have helped to mitigate the impact of economic recession on the Group’s ports operation.”

In continuing the effort to establish Shenzhen as its home-based port, the Group has established a South China Business Centre in the Western Shenzhen port area. This, in turn, enhances the area’s business development capability. On 10 July 2009, Phase I of Shenzhen Qianhaiwan Bonded Port Zone, the development of which the Group has proactively participated and been promoting, passed the State Customs’ examination and officially commenced its operation. Qianhaiwan Bonded Port Zone is entitled with, and therefore enjoys the benefits from, a number of functional policies including international purchasing, international distribution and delivery, international trans-shipment, warehousing and logistics, re-export trade and export processing, and so on, thereby making it one of the most open port zones in China. Its presence is expected to support and accelerate the development of logistics industries at the Western Shenzhen port area. The Group continued to expand the reach-out of the Western Shenzhen ports by leveraging on the Pearl River waterway, through expanding the network covered by the South China shuttle barge services, so as to provide the Group’s customers with increasingly cost-effective feeder services. As at the end of June 2009, the shuttle barge routes from the Western Shenzhen port area covered 15 cities via 20 scheduled routes. As regards sea-rail connectivity, following upon the launch of the Changsha-Shekou route in Western Shenzhen port area, pilot operations respectively of the Liling and Nanchang routes also commenced. All of the aforesaid measures will further complement the service capabilities of Western Shenzhen as the Group’s home-based port, thereby further augmenting the location’s competitive advantages in the long term.

In response to the dynamic marco-economy and market demand, the Group has slowed down new projects investment pace while the capital expenses and financial cost decreased comparing to the corresponding period of last year. Nevertheless, the Group will still keep an eye on any new investment opportunities in both local and overseas markets that are favorable for the long-term business development.

Group’s performance to outperform in second half of year as global economy turns moderate

With reference to the figures and studies released in respect to the economy in the first half of the year, the global economy has been steadily recovering from the recession resulted from the financial crisis. Despite the uncertainties and challenges that we are facing in the recovery process, we believe that the worst is over for the port industry plus the fact that the second half of the year is the traditional peak season for the industry, it is anticipated that the business performance of the Group will outperform than that of the first half year.

In the second half of the year, the Group will continue its efforts to offer customer-oriented innovative services and to proactively petition for the putting in place of various policies for the Shenzhen Qianhaiwan Bonded Port Zone. The Group also aims to enlarge its hinterland coverage through expansion of both the South China shuttle barge service and the sea-rail connectivity, whilst not omitting to track business development opportunities generated from domestic trade. Operation-wise, through the establishment of a systematic and standardized client management system and the offering of custom-made services, the Group is able to create mutual benefits for its customers and for itself, thereby not only can this enhance the values of terminals this can also help project for the Group a recognizable corporate image as a quality terminal operator. The Group will capitalize on technological innovations to achieve continuous improvement in the operation process and to enhance operational efficiency. The Group will leverage upon forceful efforts to control cost, through which to display its ability to withstand changes in the macro-economic environment via cost advantages. In addition, the Group will continue to adopt a prudent approach to control investment at an adequate scale by cautiously managing the development pace of key projects. On the other hand, the Group closely and proactively follows the development trends of international ports and maritime markets with a view to capturing significant investment opportunities that are of strategic importance.

Dr. Fu Yuning, Chairman cum Managing Director of CMHI emphasized, “Along with the locations of the Group’s ports being mainly at China’s major and economically-active maritime hubs, where the total GDP of these regions accounts for more than 80% of that in China, China economy has continued to play a major role in the recovery of global economy. In addition, the Group has possessed industry-focused management expertise over time and has implemented various timely and effective measures to cope with market changes and prevailing competitive environment. Besides, the Group has also devoted to carrying out cost control measures that have already obtained positive outcomes. Equipped with its prudent financial approach and comparatively adequate cash flow that have laid a solid foundation for the Group’s business development pursuing balanced growth, the Group will be among those first to benefit as and when the world’s economy recovers and international trade starts to accelerate, and will be well-positioned to realize better economic benefits driven from its ports operation and investment returns for shareholders.”

1. Including revenue of company and its subsidiaries and share of revenue of associates and jointly controlled entities.

2. Earnings before net interest, tax, depreciation, amortization, unallocated income less expenses, and minority interest (“Adjusted Earnings”) for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.


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