Profit Attributable to Equity Holders and Recurrent Profit Both at Historical High in 1H2011

CMHI's 2011 Interim Results press conference was held on August 30 at the headquarter in Hong Kong. The press conference was hosted by the Vice Chairman Li Jianhong, Also sat on the rostrum were Managing DiPrector Hu Jianhua, Deputy General Manager Cynthia Wong and Chief Financial Officer Zhang Rizhong.

At the meeting, Dr Hu Jianhua first announced results of CMHI in 1H2011, focus on the second half of the company and port & shipping industry outlook. Then the management answered the questions of the reporters.

The following is the press release of the conference:

Press Release

• Profit attributable to equity holders of the Company jumped 102.5% to HK$3,906 million • Recurrent profit rose 26.5% to HK$2,375 million •Basic earnings per share doubled to 158.85 HK cents (First half of 2010: 79.25 HKcents) •Throughput of containers handled rose 10.8% to 27.61million TEUs (First half of 2010: 24.93millionTEUs) • Throughput of bulk cargoes handled rose 18.5% to 160.51million tons (First half of 2010: 135.39milloin tons)

China Merchants Holdings (International) Company Limited (the “Company”, Hong Kong Stock Exchange Share Code: 00144) is pleased to announce the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011. Profit attributable to the equity holders of the Company jumped 102.5% year on year to HK$3,906million. Of this amount, Recurrent Profit[1] increased by 26.5% to HK$2,375million, posting better performance when compared to that for the same period last year. Basic earnings per share doubled year on year to 158.85 HK cents.

To reward shareholders for their consistent support, the Board of the Company proposed an interim dividend of 30 HK cents for the first half of 2011, with a payout ratio of 19.0%. Shareholders may elect to receive the dividend in cash or by way of scrip dividend.

Dr. Fu Yuning, Chairman of the Board of the Company reiterated, “In the first half of 2011, due to the combined effects of global macroeconomic slowdown and market turbulence, port container volume growth declined year-on-year. The Group's consistent initiatives to strengthen operational management efficiency at business units has contained costs to expand excessively. Together with business growth at the Yangtze River Delta and Bohai Rim regions, at overseas ports operation and at port-related manufacturing, the Group's overall operating profit has grown significantly, yielding historical high records for both profit attributable to shareholders and recurrent profit for this period.

In the first half of the year, the Group's ports operation handled a total container throughput of 27.61 million TEUs, an increase of 10.8% year-on-year. Of this amount, the throughput handled in Mainland China was 24.38million TEUs, an increase of 11.2% year-on-year. Affected by a slight decline in the throughput handled in the Western Shenzhen ports, the Group's Mainland China container throughput growth than the national average growth rate. The Group's Hong Kong and overseas ports handled a total container throughput of 3.23 million TEUs, an increase of 7.0% year-on-year. The Group's bulk operations achieved solid growth of 160.51 million tons, an increase of 18.5% year-on-year. (Contained in the attached table are details of the business performance of the Group's ports.)

Table: List of Container Throughput at CMHI's ports

Port	Container throughput (0000'TEU)	Y-o-Y change
Shenzhen Western Port Zone	**553.5**	**-0.6%**
SIPG	**1530.8**	**10.5%**
Ningbo Daxie	**86.0**	**13.9%**
Qingdao Port	93.0	101.3%
CMHI Mainland	2438	11.2%
CMHI（Hong Kong＋overseas）	323	7.0%
CMHI（Mainland +Hong Kong＋overseas）	2761	10.8%
Large ports in Mainland	7770	12.9%

China International Marine Container (Group) Co., Ltd. ("CIMC Group"), of which the Group is the single largest shareholder, has benefited from business driven by the launch of new container vessels worldwide. Container box sales for the first half year increased sharply by 1.3 times year-on-year to 1.07 million TEUs. Moreover, supported by favourable selling prices, revenue growth from the container manufacturing business increased to 176.0%, exceeding that of sales revenue growth. CIMC Group sold almost 89,000 special road vehicles, an increase of 11% year-on-year. Sales revenue grew by 6.1%.

The Group recorded revenue[2] of HK$20,859million for the first half of 2011, an increase of 71.8% year-on-year. Of this amount, revenue derived from the Group's core segment of ports operations amounted to HK$72.27 million, an increase of 21.9% year-on-year. EBIT[3] derived from the Group's ports operations amounted to HK$3,003 million, an increase of 10.3% year-on-year. The net profit of CIMC Group attributable to the Group for the first half of 2011 amounted to HK$836 million, an increase of 221.5% year-on-year. The EBIT contribution of CIMC Group amounting to HKArticleContent,225million, an increase of 2.15 times year on year.

As of 30 June 2011, the profit attributable to equity holders of the Company amounted to HK$3,906 million, an increase of 102.5% year-on-year. Of this amount, recurrent profit[1] totaled HK$2,375 million, up 26.5% year-on-year. EBITDA[4] derived from the Group's core ports operations amounted to HK$4,057 million after adjustments, an increase of 15.5% year-on-year.

Adoption of effective measures has sustained the Company's profit growth

Among the major coastal hub ports in Mainland China, other than those at the Yangtze River Delta and the Bohai Rim which have maintained double-digit container volume growth in the first half of this year, ports in Western Shenzhen and in Hong Kong have all evidently softened in the throughput of containers handled. The Group succeeded in sustaining the profit of the Shenzhen Western Port Zone through various operational and strategic means, such as improving the connectivity of the pan-Pearl River Delta feeder network hereby smoothening out linkages with the Shenzhen ports, the enhancement of the Company's internal control procedures, the streamlining of labor and production unit efficiency and the continuation of cost-control, thereby effectively contained the impact on profit due to business decline.

The Group's establishment of the shuttle-barge network in the pan-Pearl River Delta was an important step to enhance the competitiveness of the Shenzhen Western Port Zone. The number of containers handled by the Group's South China Shuttle Service in the first half year increased by 7% year-on-year. The initiation of direct barge services between the Group's Shenzhen ports and the CKRTT network marks the beginning of strategic cooperation and joint business development between the two companies.. The number of containers contributed by CKRTT to the Group's Shenzhen Western Port Zone in the first half of this year rose by more than 50% year-on-year. In addition, the Group continues to actively access potential projects and partners. The implementation and hence strengthening of the feeder network in the pan-Pearl River Delta is expected to lend substantive support to the Group's business at Shenzhen Western Port Zone.

Innovation in and comprehensive application of port technology will continue to be a driving force of port development growth in the future.. The Group has implemented energy conservation and production unit efficiency initiatives such as the "diesel to electricity" conversion programmes for RTG (rubber-tired gantry cranes), and using liquefied natural gas by port trailers, LED- lighting in container yards, solar power and alternative maritime power at quay areas and electric-powered motor vehicles for patrol purposes. The Group will continue to take a consistent and strategic approach to the application of these green technologies in the business units.

Bonded logistics and cold chain operations turned profitable

In the first half of this year, the Group's bonded logistics and cold chain operations recorded operating revenue of HK$633million, an increase of 603.3% year-on-year. EBIT derived from bonded logistics and cold chain operations amounted to HK$345million , an increase of 784.6% year-on-year.

Benefitted from policy incentives for China's bonded port zones, the Group's bonded logistics parks recorded an noticeable increase in the number of customer entrants to the parks. The Group's bonded logistics operations in the bonded port zones in Shenzhen, Qingdao and Tianjin have all recorded profits for the first half of this year. At these bonded port zones, other than offering storage services at warehouses and provision of ancillary bonded logistics and international distribution services, the Group's bonded logistics operations also provide value-added customer services such as packaging and international exhibition options, as well as closer link-ups with the ports themselves. This resulted in an increase number of containers funneled to the ports as well as in profits.

In 2010, the Group set up a joint venture, CMAC, with AmeriCold, the world's largest cold chain logistics operator, to jointly develop the cold chain logistics market in Mainland China. After one year of operation, the CMAC brand name has gathered increased recognition in the industry with operations in eight cities in the Mainland, including Tianjin, Harbin and Chengdu. With domestic demand expected to increasingly become an important driving force for the Chinese economy, the cold chain logistics service industry will not only serve China's import-export trade in temperature-controlled produce but also be to satisfy demand from the vast domestic market. The Group therefore anticipates that along with its endeavours to nurture its cold chain logistics service ventures will the cold chain logistics business become a new growth and profits driver for the Group.

Navigating steadily in investing, managing and operating projects overseas

In the first half of the year, the Group continued its course of investing overseas according to strategies already established. TICT in Nigeria acquired last year reflected rapid growth in container volume handled, yielding return in the year when investment was made. The BOT Agreement for the US$500 million Colombo South Terminal project for which a consortium led by the Group bid was signed, and negotiation for the shareholders agreement and financing arrangement has complete. Contracts relevant to the project are expected to be signed in the second half of the year, with the terminal's first phase to come on-stream for operation in early 2013.
Globalization has led to fundamental changes in the global distribution and exchange of labor, capital flow and industry penetration. As a result, increased cross-border investment in emerging markets has facilitated economic growth in developing countries. The Group will continue to evaluate opportunities in line with its international investment strategy to build a global maritime logistics network with access to economically vibrant trade spots and linkages with its existing hub port network.

Short-term challenges and future growth prospects in the port industry

There are still uncertainties as to whether the European sovereign debt crisis can be fully resolved in the second half of the year. The risk of a continued US sovereign credit rating downgrade still exists. It is expected that inflation and RMB appreciation-linked pressures in China cannot be completely eliminated, which will inevitably attribute to softer consumer demand. A global economic recovery will be tough and drawn-out. The Group maintains a cautious and prudent approach to the global economic environment in the second half of 2011. With the current health of the global economy in mind, second half year-on-year container volume growth will be affected. However, as the industry peak season approaches, the overall performance of the Group's operations should see year-on-year growth.

In the second half of 2011, the Group will continue to improve operational efficiency in its businesses and cultivate new development opportunities. The Group will continue to strengthen the competitive home port role of its Shenzhen terminals, and drive further deep integration of the Shenzhen Western Port Zone with intermodal networks. The Group will actively explore opportunities and cooperation with government bodies to push forward facility upgrades in the port logistics environment and the overall improvement of cargo distribution and transport linkages.

Dr. Fu Yuning emphasized, “At different stages of development a company will inevitably encounter different challenges as well as opportunities of varying magnitude. Although prospects of economic recovery for the US and Euroland in the short term are limited, emerging economies have in the meantime been growing rapidly while the ASEAN has surpassed Japan as China's third largest trade partner that China's foreign trade is expected to maintain a steady growth momentum. Adjustments characterized to structurally develop China into a domestic demand-led economy are expected to gradually bear fruit and such new economic landscape will in the medium to long term create development opportunities for the Group's ports operation. With the plentiful experiences in investment and corporate management accumulated over time and our solid financial ability, we are fully confident about the Group going forward.”

Note 1: Non-recurrent gains, net of tax are deducted from profit attributable to equity holders.

Note 2: Include revenue of the Company, its subsidiaries and share on revenue of its associates and jointly controlled entities.

Note 3: Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interest (“Adjusted Earnings”) for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.

Note 4: Earnings before net interest expenses, taxation, depreciation and amortization, unallocated income less expenses and non-controlling interest (“Defined Earnings”) for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities

From left to right: Chief Financial Officer Zhang Rizhong, Managing Director Hu Jianhua, Vice Chairman Li Jianhong and Deputy General Manager Cynthia Wong.


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