# China Merchant Port Holdings Company Limited 2016 Interim Results Press Release

CMPort Recorded a Breakthrough of 11.1% growth in Container Throughput

The Board of Directors (the “Board” or "CMPort") of China Merchants Port Holdings Company Limited (the “Company”, HKSE Code: 00144) is pleased to announce the interim results of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2016. A press conference was held and hosted by Mr. Li Xiaopeng, Chairman of the Board, Vice Chairman Mr. Hu Jianhua and Managing Director Mr. Bai Jingtao.

During the conference, Chairman Li Xiaopeng described the Group's performance of the period under review with four "BETTERS", which represents "Better performance than the overall market、Better performance overseas than mainland China、Better turnout in core businesses than others、and Better dividends than the same period last year". During the first half of year 2016, under the pressure of the global economic downturn，the Group's container throughput rose 11.1% year-on-year, revenue from the Group's core ports operation increased by 12.1%. While under the circumstances of decrease in overall profit, the Group still proposed a payment of 2016 interim dividend of 22 HK cents per ordinary share, with a dividend payout of 34.0%, an increase of 13.5 percentage point payout compared with the same period last year. Chairman Li Xiaopeng said, the overall growth rate of container throughput in 2016 of the Group is expected to be better than the first half of the year, the growth rate in container throughput of projects in mainland china are expected to turn from negative to positive, as well as an expected significant increase in overseas projects.

In regarding to overseas businesses, Vice Chairman Mr. Hu Jianhua stated, the existing mature overseas projects of CMPort still have a lot of potentials, the container throughput in Colombo International Container Terminals Limited (“CICT”) in Sri Lanka is expected a significant growth in the second half of 2016 as well as year 2017.Whereas being one of the best deepwater port in West Africa, Togo Lome, has great potentials. At the same time, the Company actively seeks business development opportunities in Southeast Asia and Latin America market. Nevertheless, the Company based on the development of Shenzhen homebase port, actively explore and promote a model which consist of "Port in the front end、industrial logistics zone in the middle end、city in the back end"，of which includes the establishment of a new multifunctional port and free trade zone in Djibouti.

In regarding to the formation of global shipping alliances and its influences to the tariff, Managing Director Mr. Bai Jingtao saids, since the end of 2015, CMPort has been increasing its marketing efforts focusing on the mega alliances, by strengthening its cooperation with shipping companies and alliances in terms of business strategies and projects accordingly. The tariff in the first half of the year maintained the same level as compared with the same period last year, and the tariff is expected to remain stable in the second half of the year.

Vice Chairman Mr. Hu Jianhua stated, the decrease in profit in the first half of the year had several reasons, which includes one-off gain during the same period last year, loss from China International Marine Containers (Group) Ltd. (“CIMC”), decline of profit contribution from Shanghai International Port (Group) Co., Ltd. ("SIPG") and the depreciation of RMB.

Chairman Li Xiaopeng stated, CIMC is an excellent enterprise, the current difficulties are temporary and cyclical, he believes that CIMC will walk out of its predicament.

The breakdown of the Group‟s container throughput by region is as below:

- **Container throughput handled rose 11.1% year-on-year to 46.07 million TEUs (1H 2015: 41.47 million TEUs);**
- **Total bulk cargo volume handled was 218 million tonnes (1H 2015: 174 million tonnes), up 24.9% year-on-year;**
- **Profit attributable to equity holders of the Company totaled HK$1,690 million (1H 2015: HK$2,781 million), down 39.2% year-on-year;**
- **Profit derived from the Group's core ports operation was HK$2,067million (1H 2015: HK$2,413 million), down 14.3% year-on-year;**
- **Recurrent profit attributable to equity holders of the Company amounted to HK$1,655 million (1H 2015: HK$2,466 million), a year-on-year decrease of 32.9%;**
- **Recurrent Profit derived from the Group's core ports operation was HK$2,032million (1H 2015: HK$2,201 million), down 7.7% year-on-year;**
- **Ports operations recorded an EBITDA of HK$5,397 million (1H 2015: HK$5,420 million), a decrease of 0.4% year-on-year;**
- **Basic earnings per share was 54.49 HK cents (1H 2015: 90.54 HK cents), down 39.8% year-on-year;**
- **Proposed interim dividend was 22 HK cents per ordinary share (1H 2015: 22 HK cents), implying payout ratio of 34.0%.**

Mr. Li Xiaopeng, Chairman of the Board, said, "Benefited from the new contributions from Dalian Port and Turkey Kumport, as well as the continuous growth of overseas operations, container throughput handled during the first half of 2016 rose 11.1% year-on-year to 46.07 million TEUs, marking a new breakthrough in the Company's history, with better performances than the industry's average. Amidst the slow recovery of the global economy and the continuous decline of total import and export value in China, the Group has been actively seeking to transform and upgrade our ports operation, with the aim to optimise resources allocation, enhance asset efficiency and strengthen business synergy and innovation. Meanwhile, with combined effects of various other factors, such as further growth of investment income from overseas ports, our core port businesses continued to maintain steady growth."

As affected by the sluggish shipping market, CIMC, of which the Group is the single largest shareholder, recorded a significant decrease in its container sales. During the first half of the year, sales of dry cargo containers and reefers amounted to 0.26 million TEUs, a year-on-year decrease of 68.3%. During the first half of the year, CIMC recorded loss attributable to equity holders of RMB 378 million, as compared with a profit of RMB 1,518 million in the same period last year, down 124.9%.

For the six months ended 30 June 2016, revenue (Note 1) from the Group's core ports operation increased by 12.1% year-on-year to HK$12,043 million, as a result of added contributions from overseas greenfield projects in ramp-up period and acquired new projects which overcame the decline seen in its bulk operation. EBITDA (Note 2) derived from the Group's core ports operation amounted to HK$5,397 million, or a year-on-year decrease of 0.4%.

Profit attributable to equity holders of the Company amounted to HK$1,690 million, down 39.2% over the same period last year. Despite better-than-expected contributions from overseas greenfield projects and added contributions from new projects, the Group recorded recurrent profit (Note 3) of HK$1,655 million, representing a decline of 32.9% year-on-year, owing to the significant decline in the contribution from CIMC and the increase in interest cost. Recurrent profit from core ports operation amounted to HK$2,032 million, down by 7.7%.

In order to reward shareholders' continuous support, the board of directors of the Company proposed a payment of 2016 interim dividend of 22 HK cents per ordinary share, with a dividend payout of 34.0%, with an increase of 13.5 percentage point compared with the same period last year. Shareholders can opt to receive the dividend either in cash or by way of scrip dividend.

The breakdown of the Group's container throughput by region is as below:

| Region | Name of Port | 1H 2016 Throughput (million TEUs) | Year-on-year change (%) |
|---|---|---|---|
| Mainland China | West Shenzhen | 5.32 | -1.4% |
| | Chu Kong River Trade Terminal | 0.66 | 3.9% |
| | SIPG | 17.89 | -0.8% |
| | Ningbo Daxie | 1.26 | -10.4% |
| | Tianjin Five Continents | 1.26 | -3.7% |
| | Qingdao | 3.28 | 1.9% |
| | Dalian Port | 4.36 | N/A |
| | Zhanjiang Port Group | 0.31 | 4.4% |
| | Zhangzhou | 0.15 | -15.3% |
| | CMPort Total in Mainland China | 34.48 | 13.2% |
| Hong Kong And Taiwan | Hong Kong | 2.26 | -1.3% |
| | KMCT, Kaohsiung | 0.83 | 11.3% |
| | CMPort Total in Hong Kong and Taiwan | 3.09 | 1.9% |
| Overseas | Nigeria | 0.20 | -10.8% |
| | Djibouti | 0.50 | 13.3% |
| | Terminal Link | 6.26 | -2.1% |
| | Sri Lanka | 0.92 | 33.2% |
| | Togo | 0.25 | 15.5% |
| | Turkey Kumport | 0.37 | N/A |
| | CMPort Total in Overseas | 8.50 | 6.6% |
| CMPort Total | | 46.07 | 11.1% |

**Overseas container throughput sets another remarkable record with a year-on-year growth of 6.6%**

During the period under review, the Group's ports handled a total container throughput of 46.07 million TEUs, grew by 11.1% as compared with the same period last year, among which the Group's ports in Mainland China delivered container throughput of 34.48 million TEUs, or an increase of 13.2% year-on-year, which was mainly driven by an additional contribution from a new acquisition investment of Dalian Port (PDA) Company Limited ("**Dalian Port**") earlier this year, thereby enabling the Group to sustain its leading position among China port operators. The Group's operations in Hong Kong and Taiwan delivered an aggregated container throughput of 3.09 million TEUs, a growth of 1.9% over the same period last year. Benefited from the rapid growth of the ports operations of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka and the added contribution from Kumport Liman Hizmetlerive Lojistik Sanayive Ticaret Anonim Şirketi ("**Kumport**") in Turkey, of which the acquisition was completed by the end of 2015, total container throughput handled by the Group's overseas ports grew by 6.6% year-on-year to 8.50 million TEUs.

Total bulk cargo volume handled by the Group's ports increased by 24.9% year-on-year to 218 million tonnes, within which ports in Mainland China handled bulk cargo volume of 214 million tonnes, an increase of 24.8% year-on-year. Port de Djibouti S.A. ("**PDSA**") in Djibouti delivered a bulk cargo volume of 3.19 million tonnes, or an increase of 32.5% as compared to the same period last year.

**Active promotion of transformation and upgrades in homebase port to enhance attractiveness for cargo**

The Group enhanced the overall competitiveness of the West Shenzhen Port Zone by actively promoting upgrade of hardware, consolidation of resources and optimization of its cargo collection-distribution system, providing customers with quality services.

As for the upgrade of hardware, the tender for the widening project of Tonggu Channel phase 2 has completed and expected to commence construction in the second half of the year. With respect to resources consolidation, four subsidiaries of the Group located in the West Shenzhen Port Zone, namely Shekou Container Terminals Limited, Chiwan Container Terminal Co., Ltd., China Merchants Port Service (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbor Development Co., Ltd., jointly entered into a strategic cooperation agreement. Pursuant to which, all parties aimed at enhancing the overall resources utilisation efficiency within the West Shenzhen Port Zone by leveraging their respective advantages in resources and enhancing cooperation in aspects such as development of shipping routes, sharing of resources, staff training, thereby bringing mutual benefits to the parties involved. As for the cargo collection-distribution system, West Shenzhen Port Zone and Sinotrans Guangdong Co., Ltd. has come to strong cooperation. The launching of a product called "one-stop service for transit at the Pearl River Delta", provided customers with more convenient and comprehensive logistics services, was well-received by the market. The cooperation would enhance the attractiveness of the West Shenzhen Port Zone for cargo from the hinterland in the Pearl River Delta region.

**Grasping opportunities from “One Belt, One Road ” to consummate the port layout at home and aboard**

On 10 August 2016, the Company officially changed its name to “CMPort”. The change of Company name represented our initiative to retrace the century-long historic vision of China Merchants' involvement in port businesses, which highlighted our mission of consistently valuing port operation as our core business as well as our commitment and confidence in further expanding and strengthening the same.

As for overseas expansion, seizing the development opportunities in associate with “One Belt, One Road” policy promoted by China, the Group actively analysed and captured for investment opportunities in ports, logistics and relevant infrastructures along the route, so as to consistently optimise the Group’s global port network. Meanwhile, considering the development potentials and advantages of different regions, the Group actively participated in the planning and construction of its ports and industrial zones, explore comprehensive port development model, which would lay a solid foundation for the deployment and establishment of “Checkpoints along the Maritime Silk Road”.

As for the deployment in the Chinese port market, while capitalising the regional port restructure opportunities in China, the Group, aiming upon cooperation and mutual benefits, proactively enhanced interaction with major port groups along coastal China, with a view to identify new investments and cooperation opportunities, so as to further improve its domestic port network and to achieve synergy.

**Cross-border e-commerce business began to take shape, facilitating steady growth of bonded logistics**

During the first half of the year, driven by the development of cross-border e-commerce business, China Merchants Bonded Logistics Co., Ltd., a subsidiary of the Group in Shenzhen, recorded an increase of 11 percentage points year-on-year with a 85% warehouse rental rate. China Merchants International Terminal (Qingdao) Co., Ltd., a subsidiary of CMPort, achieved breakthrough in terms of inventory reserve while conducting cross-border e-commerce business, by taking lead to engage in the integrated business of bonded import and direct purchase within the province, which turned it into the core of the comprehensive pilot zone for cross-border e-commerce in Qingdao and provided a new driver for the improvement of the zone's operating efficiency.

Cross-border e-commerce project is one of the actively promoted emerging project of the Group. On the first half of 2016, cross-border e-commerce B2B trading platforms for both import and export were launched, which were well-received by the market and resulted in significant increase in business volume. The spot trading volume of bulk trading platform project amounted to approximately 3 million tonnes in the first half of the year and gradually revealed the benefits from economies of scale.

**Strengthened development of overseas talents and promotion of innovative businesses**

With regards to innovative development, the Group proactively explored and promoted the establishment of a comprehensive port ecosystem with a foundation for ports operations. It also enhanced the synergy and cooperation between involved parties in port business by utilising internet technology, and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards middle and high end of the ports value chain, thereby achieving the transformation from a terminal operator to a comprehensive port services provider.

The overall planning and design of the "E-port" project in the West Shenzhen Port Zone has been completed and the construction would be carried out in three phases. As an unified platform for external information service in the West Shenzhen Port Zone, "E-port" will consolidate the existing information resources and services to enhance the informatization capability of trade clearance and cargo collection-distribution business in the West Shenzhen Port Zone.

In order to enhance the quality of overseas employees and strengthen the training of overseas expertise, the Group has been making great progress in its training and foreign aid projects during the first half of the year. The Group has participated in the internship program held by the "Maritime Silk Road Society", in which Hong Kong university students completed their internships in Djibouti Ports in May. In July, China Merchants Port Service (Shenzhen) Co. Ltd. welcomed the second group of students from Djibouti. Moreover，the “Excellent Personnel Plan” under the foreign aid project will also commence in Shanghai Maritime University in September, which will focus on nurturing overseas talents for port logistics service. In addition, the Group donated US$200,000 to University of Lome in Togo through the China Merchants Charitable Foundation in an effort to support the development of professional courses in respect to port and shipping.

**Steady progress in business with not only opportunities but also challenges in the second half of the year**

During July 2016, IMF lowered the global economic growth expectation to 3.1% and the growth rate of global trade decreased to 2.7%. China’s economic growth is expected to be 6.6%, however import and export is expected to record negative growth.

With the persistently low oil prices, the transformation of container vessels into mega-vessels will become stagnant. However, the shipping industry will continue on the integration of resources, and competition among different alliances will become even more intense.

During the first half of the year, China‘s export towards certain countries that are situated along “One Belt, One Road” surged, the promotion of “One Belt, One Road” and “China+” international capacity cooperation initiatives, provided China with more leeway to explore on further cooperation over infrastructure build-ups internationally.In addition to the traditional peak season that take place in the second half of the year, the above factors will sustain China's export trade. With support from the steady growth delivered by emerging economies such as South Asia and East Africa, the performance of the Group’s ports operation in the second half is expected to be better than that of first half of the year.

"Global economic environment will remain complex in 2016. The uncertainties over global economies and trade activities heightens, the profound adjustments prevails within China’s economy, and the intense and dynamic competition persists within the industry, would means new opportunities and challenges to the Group's ports operation. The Group attempts to achieve breakthroughs among six major aspects including homebase port development, operational transformation, integration of industry with elements of finance, overseas expansion, business innovation, as well as ports consolidation, through clearly visualizing the conditions prevailing, endeavouring to steadily progress, navigating its business operations by following the already-established operational strategies, and capturing market development opportunities in China and aboard. As a result to boost sustainable development for the Group while developing new profit enhancer, in return to deliver better returns for our shareholders. " Chairman Li Xiaopeng emphasised.

Note 1: Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note 2: EBITDA refer to earnings before net interest expenses, taxation, depreciation and amortisation of the Company, its subsidiaries and its share in associates and joint ventures, but excluding unallocated income less expenses and profit attributable to non-controlling interests.

Note 3: Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for first half of 2016, change in fair value of investment properties, net of tax; while for first half of 2015, gain on deemed disposal of interests in associates, gain on disposal of a subsidiary and change in fair value of investment properties.


CMPort Interim Results 2016 Press Conference
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