CMPort Profit Rose by 73.1% to HK$5,448 million

Overseas projects surpassed 10millionTEUs as major growth engine

The Board of Directors (the “Board”) of China Merchants Port Holdings Company Limited (“CMPort” or 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 2018. A press conference was held on 31 August 2018 in Hong Kong and was hosted by Chairman of the Board Mr. Fu Gangfeng. CMPort's Executive Director and Deputy General Manager Mr. Zheng Shaoping firstly introduced the Company's 2018 Interim results, and then answered questions from the press together with Chief Financial Officer Mr. Lu Shengzhou.

During the press conference, Mr. Fu Gangfeng said, “the major factor leads to the removal of CMPort from Hang Seng Family of Indexes was the Company's market capitalization, which is determined not only by the Company's profitability, but also by the uncontrollable element of the investors’ forecast on the industry and the company. Nevertheless, CMPort will continue to adhere to the operation and management of our port business, ensure sustainable development and guarantee profitability as well as the long term benefit to our shareholders. In the future, CMPort will focus on the investment opportunities in regions with remarkable economic growth potentials in overseas, we will also consider varies complicated factors such as political risks, exchange rate risks and the economic environment of hinterland while seeking for the investments, in order to make our overseas investments as the growth engine to the Company.”

Mr. Zheng Shaoping believes the effect from Sino-US trade friction on CMPort's business is limited. He said:" Sino-US shipping routes only counts for around 10% under CMPort's port business, whereas the global trade demand still exists under Sino-US trade friction and the World's economy is still expected to grow, which will hence boost the growth of container business. Moreover, the synergy within CMPort's global portfolio that links the shipping routes together will enhance our business capabilities."

Mr. Fu Gangfeng further emphasised:"CMPort will take active measures to deal with the negative effects brought by Sino-US trade friction. On one hand, we will look for opportunities on synergies within China Merchants Group, on the other hand, we will insist to enhancing capability, improving quality and efficiency on existing business. I am confident that the container throughput in 2018 full year will achieve single digit growth in Mainland China and double digit growth in overseas."

With regards to the concern on CMPort's profit in the second half of the year without one-off disposal gain, Mr. Lu Shengzhou forecasted:" The recurrent profit derived from the Group's core ports operation rose by 14% in the first half of the year, which is in line with the growth of container throughput. We expect growth on our container throughput and hence, our profit will increase in the second half of the year."

Highlights of 2018 interim results of the Group:

- **Container throughput volume rose by 7.3% year-on-year to 53.81 million TEUs (1H2017: 50.16 million TEUs);**
- **Total bulk cargo volume handled 250 million tonnes (1H2017: 249 million tonnes), up by 0.6% year-on-year;**
- **Profit attributable to equity holders of the Company totaled HK$5,448 million (1H2017: HK$3,148 million),**

  up 73.1% year-on-year;
    - ✓ **Profit derived from the Group's core ports operation was HK$5,923 million (1H2017: HK$2,453 million),**

      up by 141.5% year-on-year;
- **Recurrent profit totaled HK$2,171 million (1H2017: HK$2,269 million), down by 4.3% year-on-year;**
    - ✓ **Recurrent Profit derived from the Group's core ports operation was HK$2,787 million (1H2017: HK$2,452 million),**

up by 13.7% year-on-year;

- **Basic earnings per share was166.22 HK cents (1H2017: 100.62 HK cents), up by 65.2% year-on-year;**
- **Interim dividend of 22 HK cents per ordinary share (1H2017: 22 HK cents per ordinary share and a special interim dividend of 135 HK cents per share celebrating the 25th listing anniversary).**

In the first half of 2018, global economy continued its positive recovery momentum of 2017, but remained certain volatility. The risks that threaten the global economic growth prospect have been increasing, with the gradually stronger fundamentals of the major economies such as the U.S. and China, the recovery trajectory of the global economy continued and the growth prospect over the medium term remained relatively optimistic. Moving towards its core vision of "to be a world's leading comprehensive port service provider", the Group proposed the overall operation philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise". In the first half of the year, the Group's ports handled a total container throughput of 53.81 million TEUs, representing a growth of 7.3% as compared with the same period last year, and bulk cargo volume of 250 million tonnes, representing a growth of 0.6% as compared with the same period last year.

For the six months ended 30 June 2018, the Group's revenue [Note1] amounted to HK$16,549 million, down by 31.9% over the same period last year, of which the Group no longer share the revenue from China International Marine Containers (Group) Co., Ltd ("CIMC") after the disposal since second half of last year, decreased by HK$9,265 million over the same period last year. On the other hand, revenue from core ports operation increased by 10.0% over the same period last year to HK$13,375 million as a result of the new acquisition projects and a rise in business volume. The Group's core ports operation recorded an EBITDA[Note2] of

HK$6,545 million, an increase of 11.1% year-on-year. EBITDA from core ports operation attributed to 89.0% of the Group's total EBITDA.

Profit attributable to equity holders of the Company amounted to HK$5,448 million, up by 73.1% over the same period last year, which included a gain of HK$3,733 million (net of tax), from the disposal of the Group’s equity interest in Shenzhen Chiwan Wharf Holdings Limited (“Shenzhen Chiwan”) during the period. Profit attributable to equity holders of the Company derived from the core ports operation amounted to HK$5,923 million, representing an increase of 141.5% over the same period last year. Since the Group no longer shared results from CIMC, starting from second half of last year, recurrent profit[Note3] decreased by 4.3% over the same period last year to HK$2,171 million. Recurrent profit derived from the Group’s core ports operations amounted to HK$2,787 million, up by 13.7% year-on-year.

To appreciate shareholders for their continuous support, the Board of the Company proposed a 2018 interim dividend of 22 HK cents per ordinary share. Shareholders may elect to receive the final dividend in cash or by way of scrip dividend.

Table: Overview of Container Throughput Volume of CMPort in 1H 2018

Region	Port	1H 2018 Throughput ('0000 TEUs)	Year-on-year change (%)
Mainland China	West Shenzhen	554	-0.5
	Chu Kong River Trade Terminal	67	-2.0
	SIPG	2051	4.6
	Ningbo Daxie	171	4.7
	Tianjin Five Continents	132	6.4
	Qingdao	340	4.7
	Dalian Port	550	3.9
	Zhanjiang Port Group	46	9.8
	Zhangzhou	19	-4.1
	Shantou	61	n/a
	Shunde	10	n/a
	Total - Mainland China	4000	5.6
Hong Kong & Taiwan	Hong Kong	290	-0.5
	KMCT, Kaohsiung	82	-0.4
	Total - Hong Kong and Taiwan	372	-0.5
Overseas	Nigeria	26	33.8
	Djibouti	41	-15.8
	Terminal Link	672	12.6
	Sri Lanka	130	16.4
	Togo	49	36.1
	Turkey, Kumport	65	57.8
	Brasil, TCP	26	n/a
	Total - Overseas	1009	18.2
CMPort Total		**5381**	**7.3**

Excellent overseas performances boosted the growth of the total container volume

In the first half of 2018, benefitted from the significant growth of throughput handled by the Group's overseas ports, the Group handled a total container throughput of 53.81 million TEUs, up by 7.3% year-on-year, enabling the Group to sustain its leading position among port operators in China. Among which, the Group's ports in Mainland China contributed container throughput of 40.00 million TEUs, representing an increase of 5.6% year-on-year. The Group's ports in Hong Kong and Taiwan contributed an aggregate container throughput of 3.72 million

TEUs, which remained at the same level as compared to the same period last year. Total container throughput handled by the Group’s overseas ports was 10.09 million TEUs, representing a growth of 18.2% year-on-year. Among which, Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey and Lomé Container Terminal S.A. in Togo outperformed with recorded growth of 57.8% and 36.1% respectively.

Full coverage over six continents for overseas port layout and steady progress in China's port consolidation

As for overseas expansion, by seizing the development opportunities arising from the “Belt and Road” initiative promoted by China and collaboration over international production capacity, the Group explored the implementation of the comprehensive development model of “Port-Park-City”. On 23 February 2018, the Group completed the acquisition of TCP Participações S.A, which is the second largest container terminal in Brazil. On 14 June 2018, the Group completed the acquisition of the Port of Newcastle, which is the largest port on the east coast of Australia. Those projects marked the expansion of the Group's overseas port layout achieving a full coverage in six continents.

Regarding the development of homebase port, the significant asset restructuring of Shenzhen Chiwan was in progress as planned. Moreover, the construction of Tonggu Channel dredging and widening project was expeditiously underway. With respect to the Chinese port market, the Group continued to capture the opportunities arising from the existing ports business consolidation and the coordinated development of ports and cities in China so as to optimise the structure of existing domestic ports resources. It has also designed a multi-beneficial cooperation model based on the port conditions of different regions and resources available in various hinterlands.

Innovative cooperation in multi fields and establishment of a comprehensive port ecosystem

With regard to innovative development, in the first half of 2018, the Group pushed forward the establishment of a comprehensive port ecosystem on the foundation of ports operation in an orderly manner, and enhanced the synergy and cooperation between the relevant involved parties in port business and strengthened its ability in creating values for customers through innovation of management, technology and business models and expansion towards the upstream and downstream of industrial chain and value chain, thereby realising the transformation from a terminal operator to a comprehensive port service provider. It launched the global intelligent container project and developed the container cargo status analysis platform based on big data. The innovative integration model of industry with elements of finance initiated the establishment of an innovative port development and investment platform in China and boosted the synergy and mutual use of resources. The Group further facilitated the replication and promotion of the success in “Port+” model and commenced deep cooperation in the fields of port big data and intelligent hardware and software by focusing on the direction of “Smart Port”. The Group has built a comprehensive port ecosystem and has developed a highly vertical ecosystem for port and port-related industries.

<u>Adhere to sustainable development and shaping blue dreams together</u>

Aiming at “energy conservation and efficiency enhancement” with “technological innovations” as the means while fulfilling the corporate social responsibility of “conserving energy, reducing emission and carbon footprint, and protecting the environment”,the Group has continued its efforts in promoting the building of low-carbon green port. On one hand, the Group encouraged its ports to actively carry out energy conservation management and to reduce energy consumption and control emission of greenhouse gas, such as carbon dioxide, through special operation management model and research and development of innovative energy conservation and emission reduction technologies. On the other hand, the Group further expand the application of new energy conservation technologies and products with a view to establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

The Group is committed to integrating its corporate core values into the community. In the first half of 2018, the Group donated education and living materials that worth US$21,000 to the poor local areas in Hambantota, Sri Lanka. The Group continued to organise the summer course under “Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century”, providing advanced-level port and shipping training programme for 25 overseas trainees from 13 countries over 4 continents along the “Belt and Road”, at the same time cultivate high-level talents among countries along the “Belt and Road” on a continuous basis.

To promote the “Port-Park-City” development model and seize new opportunities

Looking forward to the second half of the year, the global economy is expected to stay on the recovery trajectory. However, as the global economy recovered from recession, trade and investment tend to become moderate, financing conditions tightened, and trade frictions escalated, it is expected that the momentum of marginal economic growth will slow down. The economy of China is expected to enter into a stage of “slower growth, higher quality”, and the escalation of Sino-US trade friction may affect export performance to some extent.

The growth rate of global container throughput has increased but the growth rate may slow down due to the impact of the economic and trade environment. After entering into 2018, as a result of the Sino-US trade friction in the first half of the year, the market confidence in global trade and the port and the shipping industry has been affected. However, as the most of the international procurement contract to be delivered in the second half of the year were entered into before the trade war, thus, the influence of the trade war on the port throughput during the year will be limited. In the event that the Sino-US trade friction continues and worsens, the future global trade landscape might be reshaped and the flow of international trade might be changed.

In the second half of the year, the Group will continue to adhere to its strategic goal of “to be a world’s leading comprehensive port service provider”, push forward balanced development in terms of regions, businesses and stages, and continue to deepen, optimise, and refine the Group’s strategies. The Group will also vigorously steadily promote the “Port-Park-City” development model in overseas and consolidate resources to explore comprehensive regional development and construction with a focus on ports operations. The Group will also insist on pursuing innovation and transformation and continue to exert great efforts in building a comprehensive port ecosystem. In 2018, the Group will seize new opportunities for its port business to continuously adjust and optimise its asset structure and demonstrate the effect of the capital management platform with a view to enhancing its overall return on equity. As always, the Group will endeavor to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

Note1: Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note2: Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests (“Defined Earnings”) of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures, gains on disposal of subsidiaries.

Note 3: Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2018, gain on disposal of subsidiaries, change in fair value of financial assets and liabilities at fair value through profit or loss and change in fair value of investment properties; while for 2017, gain on disposal of a subsidiary and change in fair value of investment properties.


CMPort 2018 Interim Results Press Conference
招商 港口2018年度中期業績新聞發佈會

鄭少平
副總經理兼執行董事

呂勝洲
財務總監


Interim Results Press Conference