CMHI 2011 Annual Results Press Conference

CMHI' s 2011 Results press conference was held on 29 March 2012 in Hong Kong. The press conference was hosted by CMHI' s Vice Chairman Li Jianhong, Also sat on the rostrum were Managing Director Hu Jianhua, Deputy General Manager Cynthia Wong, Deputy General Manager cum Chief Financial Officer Zhang Rizhong.

At the meeting, Dr Hu Jianhua first announced results of CMHI in 2011, and briefed the audience on the work plan of the company and outlook of port & shipping industry in 2012. Then the management answered the questions of the reporters.

The following is the press release of the conference:

Press release

CMHI' s 2011 profits only slightly down
despite significantly higher income tax obligations
thanks to through-put growth and on-going efficiency improvements
in a year of cost escalation and global economic uncertainty

- Throughput of containers handled was 57.29 million TEUs (2010: 52.28 million TEUs up 9.6%);
- Throughput of bulk cargoes handled was 325 million tons (2010: 281 million tons up 15.5%);
- EBITDA of ports operations was HK$8,316 million (2010: HK$7,532 million up 10.4%);
- Profit attributable to equity holders of the Company was HK$5,569 million (2010: HK$5,876 million)；
- Basic earnings per share was 225.12 HK cents (2010: 239.13 HK cents)
- Final dividend proposed to be paid to equity holders 68 HK cents (2010: 78 HK cents), bringing totoal dividend for the year 98 HK cents (2010: 103 HK cents) and a corresponding payout ratio of 43.5% (2010: 43.0%)

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company", Hong Kong Stock Exchange Stock Code: 00144) is pleased to announce the annual audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011. Dr Fu Yuning, Chairman of the Board, owes the modest year-on-year drop of 5.2% in Profit attributable to Equity Holders to the significantly higher income tax obligations, thanks to the container through-put growth and on-going efficiency improvements achieved in a year of cost escalation and global economic uncertainty.

The Group recorded revenue[1] of HK$40,973 million for 2011, an increase of 33.9% over that of the same period last year. Profit attributable to equity holders of the Company amounted to HK$5,569 million, slightly down 5.2% year on year reflecting a corresponding basic earnings per share of HK$2.2512, down 5.9%.

Revenue derived from the Group' s core segment of ports operations amounted to HK$15,006 million, an increase of 13.5% over that of the same period last year.
The Group' s core segment of ports operation recorded an EBITDA[2] of HK$8,316 million, representing an increase of 10.4% year-on-year.

Net profit contributed by China International Marine Container (Group) Co., Ltd. ("CIMC Group") amounted to HKArticleContent,050 million, up 28.2% over last year while the corresponding EBIT derived from CIMC Group reachedHKArticleContent,667 million, up 37.5% year on year.

To reward shareholders for their consistent support, the Board of the Company proposed a final dividend of 68 HK cents. Full-year dividend was 98 HK cents for 2011, with a payout ratio of 43.5%. Shareholders may elect to receive the dividend in cash or by way of scrip dividend.

Container throughput handled rose almost 10%, another peak-record or its own and outperforming its peers

Dr. Fu Yuning, Chairman of the Board of the Company said, "In 2012, despite impacted by unfavourable factors such as the lack of growth momentum for the global economy, the spreading of the European debt crisis, excessive capacity for liners and increasing costs, the container through-put growth at ports relative to that of last year evidently decelerated. However, capturing the uniqueness of each of the Group' s operating units, the Group achieved satisfactory results through integrating resources, leveraging the synergistic effect, optimizing the business structure while nurturing new profit growth drivers. The Group handled a container throughput volume of 57.29 million teus, up 9.6%, another peak-record of its own and a growth that outperformed the overall global level. EBITDA derived from the core segment of ports operation maintained a two-digit percentage growth, in line with our expectation."

In 2011, the Group' s port projects handled a total container throughput of 57.29 million TEUs, an increase of 9.6% over the same period last year. Of this amount, the throughput handled in Mainland China was 50.82 million TEUs, representing an increase of

10.3% over the same period last year. In 2011, the Group's Hong Kong and overseas port projects handled a total container throughput of 6.46 million TEUs, representing an increase of 4.0% over the same period last year. The throughput of bulk cargoes performed satisfactorily, totaling 325 million tonnes, an increase of 15.5% year-on-year.

In 2011, among the Group's port projects, other than western Shenzhen and MTL experiencing a slight decrease in throughput, the remaining terminals all showed different extents of growth in their container operations. Among them, the Qingdao Project saw a sharp increase in container throughput by 88% to 2.07 million TEUs due to in-depth cooperation with the Qingdao Port Group. SIPG hit a record for global ports by handling 31.74 million TEUs, an increase of 9.2% year on year. Ningbo Daxie handled 1.75 million TEUs, an increase of 12.1% year on year, still maintaining a faster business growth than the region. Chu Kong River-Trade Terminal Company Limited ("CKRTT"), in which the Group acquired a stake at the beginning of the year, contributed a throughput of 910,000 TEUs. The TICT terminal in Nigeria, the first overseas port project invested by the Group, handled a container throughput of 378,000 TEUs, an increase of 28.1%. Due to the factors such as shorting of demand and reduction on resources, the container throughput handled by Shenzhen Western Port Zone and MTL were slightly decreased.

CIMC Group, in which the Group owns 25.54% and of which the Group is the single largest shareholder, deriving benefits from the demand resulted from the world's new container vessel deliveries, sold 1.591 million teus of dry cargo and refrigerated containers and 77,100 special containers for the full year, an increase of 15.1% and 24.6% year on year, respectively, maintaining a strong growth momentum.

Table: List of container throughputs of major ports of CMHI

Port	2011 (0000' TEU)	y-o-y change
SZ Western Port Zone	1,149	－1.7%
SIPG	3,174	9.2%
Ningbo Daxie	175	12.1%
Qingdao Port	207	87.8%
CMHI Mainland	5,082	10.3%
CMHI（HK＋overseas）	646	4.0%
CMHI（Mainland +Hong Kong＋overseas）	5,729	9.6%

New milestones through intensified co-operation and enhanced co-ordination

In 2011, the slowdown in the growth of the global economy and trade exceeded expectations. There was a severe downturn in the shipping market. Ports operations were under the dual pressures of slowing external demand and increasing internal costs. Being confronted with an unfavourable operating environment, the Group, on one hand, was active in developing new overseas projects and optimized the port layout in China to focus on creating new profit growth points. On the other hand, the Group enhanced the synergistic effect by integrating the existing port resources and stepped up efforts in promoting sophisticated management to further improve resource efficiency and asset effectiveness. This year, remarkable results were achieved in the work. The BOT overseas port project commenced construction and a new breakthrough was made in the operations of all regional port projects in the Mainland.

On the basis of jointly operating a container terminal (QQCTU) and a bulk cargo terminal (QQTU) at the end of 2009, the Group further strengthened its cooperation with the Qingdao Port Group this year, and with QQCTU as the platform for cooperation, jointly established a new company (QQCTUA) with APL Co. Pte Ltd. and SITC Container Lines Company Limited to operate two of the berths, thus establishing ties of asset cooperation with shipping companies.

With a view to reinforcing and intensifying market development efforts and the operational management standards in Shenzhen Western Port Zone, in 2011, the Group established the (South China) Port Operation Centre which is to build up a common and integrated management system in areas of commerce, operation, procurement, subcontractor management, recruitment, training and technology application. The two ports implemented joint trade promotion, unified and optimized the route structure and established a resource coordination mechanism, further improving the port resource efficiency. The Group further expanded the capability of terminals in western Shenzhen to attract container freight sources in the Pan-Pearl River Delta region. Member of South China shuttle barge services rose to 28 in 2011 (2010: 21). The PRD barge network now covers 21 cities, 52 river trade terminals and 40 barge express routes. The PRD barge volume handled increased by 3.4% compared to the corresponding period of last year. In February, 2011, the Group successfully completed its acquisition from Chu Kong Shipping Development Company Limited ("CKS") of the 20% equity stake in CKRTT, otherwise a 100% subsidiary of CKS. This acquisition complemented the connectivity between ports in Western Shenzhen and river terminals in the Pearl River Delta and laid a solid foundation for further cooperation with CKS in future. In 2011, the container throughput handled by CKRTT in collaboration with the Group's Western Shenzhen ports significantly grew 75% year-on-year.

Bonded logistics and cold chain operations

In 2011, the Group's bonded logistics and cold chain operations achieved a revenue of HK$2,000 million, up 127.9% year-on-year. The EBIT derived from bonded logistics and cold chain operations amounted to HK$581 million, up 31.7% year-on-year. The gradual development and growth of the above operations will provide a strong support to the existing port operations.

Benefiting from the support of preferential policies for bonded port zones in China, the Group saw a faster growth in the number of enterprises moving into the bonded logistics park. In 2011, the port ancillary logistics enterprises of the Group located in the three bonded port zones of Shenzhen, Qingdao and Tianjin maintained a good growth trend and their positive effect on ports is increasingly evident. Compared to the same period last year, major business indicators such as warehouse occupancy rate, rental level and customs declaration number (報關票數) all experienced a faster increase. The total container volume handled through port-cargo-park collaborated cargo handling increased by more than 20%. Profit from the park increased by almost 70%. At present, the business needs of the park continued to show a trend of fast growth. The Group will also accelerate the construction of relevant facilities and embark on the expansion of the Phase 2 of the Shenzhen Qianhaiwan Bonded Port Zone.

In late 2010, CMAC, a cold chain joint venture set up by the Group and AmeriCold, the world' s largest cold chain logistics enterprise, has achieved initial success in developing the cold chain logistics market in Mainland China. After organization and operation for more than one year, CMAC has gradually gained recognition from the industry and continued to expand new presence on the basis of having established presence in eight cities in Mainland China such as Tianjin, Harbin and Chengdu with a view to building sound cold chain storage and transportation networks in medium and large cities in China. In addition, the Group was also active in nurturing and developing key customers. In 2011, CMAC and YUM! China (百勝中國) entered into a strategic partnership agreement, marking an important step forward for the company' s cold chain operations.

Overseas projects achieved preliminary results with expected future growth

In 2011, the Group' s first greenfield project successfully commenced construction and the port project in Nigeria achieved significant economic benefits. This marked the initial results achieved by the Company' s overseas operations. The good results and progress achieved by overseas projects further enhanced the Group' s confidence in actively developing its overseas port operations.

The grand groundbreaking ceremony of the Sri Lanka Colombo South Port Container Terminal project with a total investment amount of more than US$500 million was held in Sri Lanka on 16 December 2011. Currently, port construction is proceeding smoothly. It is expected the first container berth will be officially put into operation by July 2013 and the construction of all four port berths will be completed by April 2014. The construction schedule is more than two years ahead of that stipulated in the BOT agreement, which laid a solid foundation for the Group to seize market opportunities and enhance its competitiveness in Sri Lanka. Driven vigorously by the management of the Group, the container throughput handled by the TICT container terminal in Nigeria acquired at the end of 2010 in 2011 increased by almost 30% year on year and profit increased substantially by more than 60% over 2010.

Benefiting from the national strategy of "going global" actively implemented by the Chinese government, the Group further consolidated its market share in China on the basis of optimizing the existing hub port network in China. On one hand, the Group actively leveraged the synergy of domestic ports and overseas ports in the aspects of operational management, market development and customer and talent resources. On the other hand, the Group actively facilitated the establishment of a global port network to exert itself to accomplish the objective of becoming a leading global public port operator.

Meeting new challenges and establishing overseas presence with the support of Mainland

The European sovereign debt crisis in 2011 has led to a significant slowdown in the growth of global economy and its impact will persist in 2012. The restructuring of the Chinese economy will speed up and fluctuations in the exchange rate of RMB will intensify. The shipping industry will face an even more difficult year and the port industry is no exception. The Group is not optimistic about the global economic prospect in 2012 and takes a prudent attitude towards the port industry in China. It is anticipated the year-on-year growth of the total container volume handled by the Group will continue to slow down in 2012.

2012 is a year with extremely complicated external macroeconomic situations and is also a year full of challenges and opportunities. The Company will continue to adhere to the port development strategy of "developing overseas markets and optimizing the domestic layout" and focus on creating new business growth points. It is anticipated the growth of the port operations will still be higher than the overall industry level of global ports. The Group will also follow the trend of global industrial transfer and pay active attention to port investment opportunities in Asia and developing countries in other regions so as to gradually enhance the Group' s market position and influence among international port operators. In addition, the Group will also be active in studying investment opportunities associated with container terminals, large professional bulk cargo terminals and river-trade terminals with a development potential in China and optimize the domestic port layout.

Dr. Fu Yuning, Chairman of the Board of CMHI, emphasized: "The Group has entered a new development stage, i.e. from mainly scale expansion to a stage of collaborative development and sophisticated management. On the basis of gaining a full understanding of the new characteristics and new changes under the new situation, the Group will actively grasp the new development opportunities brought by the domestic and international markets while advancing steadily and formulate a new operating strategy. Since the Group has established a sound port network in domestic hub ports, the synergy of its employees, technologies, customer resources and operational management is increasing. The Group is also active in developing its overseas operations and achieved preliminary results. I firmly believe: We have excellent development prospects and a bright future."

Note 1: Include revenue of the Company, its subsidiaries and share of revenue of its associates and jointly controlled entities.
Note 2: Earnings before net interest expenses, taxation, depreciation and amortisation, 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: Deputy General Manager cum Chief Financial Officer Zhang Rizhong, Managing Director Hu Jianhua, Vice Chairman Li Jianhong and Deputy General Manager Cynthia Wong