CMHI 2014 Annual Results Press Conference

CMHI's Container Throughput Handled Hits New Record High
Recurrent Profit Attributable to Equity Holders for 2014 Grew by 14.7% to HK$4,599 million

- Container throughput handled rose 13.4% year-on-year to 80.84 million TEUs (2013: 71.32 million TEUs);
- Total bulk cargo volume handled was 363 million tonnes (2013:349 million tonnes), a year-on-year increase of 4.1%;
- Profit attributable to equity holders of the Company totaled HK$4,526 million (2013: HK$4,213 million), up 7.4% year-on-year;
- Recurrent profit attributable to equity holders of the Company amounted to HK$4,599 million (2013: HK$4,008 million), a year-on-year increase of 14.7%;
- Profit derived from the Group's core segment of ports operation was HK$4,330 million (2013: HK$3,937 million), up 10.0% year-on-year;
- Ports operations recorded an EBITDA of HK$10,815 million (2013: HK$9,806 million), an increase of 10.3% year-on-year
- Basic earnings per share was 159.41 HK cents (2013: 166.89 HK cents), down 4.5% year-on-year
- Full year dividend per ordinary share was 77 HK cents (2013: 77 HK cents), implying payout ratio of 43.5%

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company", HKSE Code: 0144) is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

Mr. Li Jianhong, Chairman of the Board, said, "During the year under review which was prevailed with adverse external operating environment, the Group, on one hand, through striving to enhance asset utilisation of the Group's existing portfolio through its continual effort in facilitating the refinement of operational processes, the promotion of technical innovations, the elevation of operational management capabilities, and the adherence to cost saving and efficiency improving measures, whilst, on the other hand, with its overseas ports became fully operational, has further injected impetus into its sustainable growth, thereby leading to the stable growth in the Group's business and financial performances during the year."

Container throughput handled by the Group's ports operation totaled 80.84 million TEUs in 2014, up 13.4% year-on-year, amongst which the Group's ports in Mainland China grew by 5.0% year-on-year; bulk cargo handling operations of the Group recorded a throughput of 363 million tonnes, representing a growth of 4.1% year-on-year. Revenue (Note 1) generated from the Group's core ports operation amounted to HK$21,120 million, up 5.4% year-on-year. Ports operation recorded an EBITDA (Note 2) totaling HK$10,815 million, and an EBIT (Note 3) of HK$8,015 million, representing a year-on-year increase of 10.3% and 11.1%, respectively.

During the year ended 31 December 2014, profit attributable to equity holders of the Company amounted to HK$4,526 million, representing a year-on-year increase of 7.4%. Recurrent profit attributable to equity holders of the Company was HK$4,599 million, up 14.7% as compared to that of last year. Basic earnings per share was 159.41 HK cents, down 4.5% year-on-year, while profit derived from the Group's core ports operation increased by 10% year-on-year to HK$4,330 million.

Port-related manufacturing operation of the Group has demonstrated a stable performance during 2014. The operating results of China International Marine Containers (Group) Co., Ltd. ("CIMC"), of which the Group is the single largest shareholder, has bottomed out, while its sales of containers was1.58 million TEUs, up 24.5% year-on-year. Thanks to the profit growth of its other businesses, CIMC contributed to the Group with an EBIT totaled to HKArticleContent,302 million, up 5.7% year-on-year. To reward shareholders for their continuous support, the Board proposed a final dividend of 55 HK cents per ordinary share, deriving a full year dividend of 77 HK cents per ordinary share which translates into a dividend payout ratio of 43.5%. Shareholders may elect to receive the final dividend in cash or by way of scrip dividend.

Container Throughput handled by the Group hits new record high

Container throughput handled by the Group's ports operation hits new record high, reaching 80.84 million TEUs in 2014, up 13.4% year-on-year, amongst which the Group's ports in mainland China contributed container throughput of 59.56 million TEUs, representing a growth of 5.0% year-on-year which is slightly higher than the overall growth rate of the foreign-trade-derived container throughput handled by all Chinese ports, thereby sustaining the Group's leading position among China port operators. The Group's operations in Hong Kong and Taiwan recorded an aggregate container throughput of 7.22 million TEUs, up 2.1% year-on-year, while container throughput contributed by the Group's overseas ports grew 87.1% year-on-year to 14.06 million TEUs.

The Group's bulk cargo handling operations recorded a throughput of 363 million tonnes, representing a growth of 4.1% year-on-year, within which ports operation in mainland China delivered a cargo volume of 359 million tonnes, up 4.0% year-on-year, while the Djibouti project, on the overseas front, handled 4.27 million tonnes of bulk cargoes, up 12.0% year-on-year.

Throughput Volume of Major CMHI's Ports in 2014

Region	Name of Port	2014 Throughput (million TEUs)	Year-on-year change (%)
Mainland China	West Shenzhen	11.03	-3.2%
	Chu Kong River Trade Terminal	1.22	2.3%
	SIPG	35.29	5.0%
	Ningbo Daxie	2.50	21.1%
	Tianjin Five Continents	2.57	11.7%
	Qingdao	5.98	14.4%
	Zhanjiang Port Group	0.58	51.4%
	Zhangzhou	0.41	-27.8%
	CMHI Total in Mainland China	59.56	5.0%
Hong Kong And Taiwan	Hong Kong (MTL+CMCS)	5.89	-0.3%
	KMCT, Kaohsiung	1.33	13.8%
	CMHI Total in Hong Kong and Taiwan	7.22	2.1%
Overseas	Nigeria	0.43	-6.9%
	Djibouti	0.86	16.3%
	Terminal Link	12.05	92.7%
	Sri Lanka	0.69	-
	Togo	0.03	-
	CMHI Total in Overseas	14.06	87.1%
CMHI Total		**80.84**	**13.4%**

Overseas ports became fully operational, driving the container throughput of the overseas segment up by around 90%

Driven by the acquisitions of equity interest in Port de Djibouti S.A. ("PDSA") in Djibouti, East Africa, and in Terminal Link SAS successively in 2013, together with Colombo International Container Terminals Limited ("CICT") in Sri Lanka becoming fully operational, the Group's overseas ports delivered remarkable results, handled a total container throughput of 14.06 million TEUs, or a year-on-year growth of 87.1%.

Leveraging on the superior geographical location and service quality, CICT, the Group's first-ever overseas greenfield project, which commenced operation in July 2013, was off to a solid start, exceeding the original expectation by achieving a container throughput of 0.69 million TEUs during 2014, with business still growing rapidly. In addition, LCT in Togo, in which the Group has 50% equity interest, commenced trial operation of its phase one development, comprising 700 meters of shoreline, in October 2014, which synergizes with TICT in Nigeria to further anchor the Group's presence and influence in the West Africa region. In terms of overseas expansion, the multipurpose port at Doraleh, a development project under PDSA, in which the Group owns a 23.5% equity interest, in Djibouti, kickstarted its construction phase in August 2014, which signified the rise of the curtain for an improvement and upgrading project in Djibouti the Group is actively involved in, and to a larger extent a step forward for exploring and facilitating the development of an integrated ports operation model. Meanwhile, the promotion of the establishment of a cooperative platform along the "One Belt, One Road" initiative by China will also provide a strong support to the Group's expansion overseas.

Facilitating the upgrade of homebase port in Shenzhen, while enhancing ports network layout and optimizing asset quality

During the year under review, to further inject impetus into the sustainable growth of the Group, guided by its established strategic orientations, the Group seeks to optimize resources allocations and create synergies built upon the Group's global port network through, as well as prolong the ports value chain and promoting business model innovation, through deepening its effort in the construction of homebase port and the expansion of its overseas business footprint, with a vision of "becoming a world-class comprehensive port services provider".

In 2014, the South China Container Terminal (“SCCT”), a management unit overseeing the container handling ports in the West Shenzhen Port Zone, continued to dedicate its efforts in consolidating the ports within the region, an example of which is the integration of the ports under SCCT's management with Jetty Two West currently operated by China Merchants Port Services (Shenzhen) Co., Ltd., a subsidiary of the Group. On the other hand, the Group's self-developed container terminal operation system, "CM Port", went live successfully in Shekou Container Terminals Limited during the year, while on the other hand, "One Port", a barge service platform self-developed by the West Shenzhen Port Zone, which offers web-based functions that enable users to track estimated time of arrival for bulk vessels and to handle cargo manifest, and which allows sharing of declaration information between various ports in the West Shenzhen Port Zone, went live successfully during the year under review, leading to a win-win situation whereby better utilisation of the barge-dedicated berths within the West Shenzhen Port Zone can be achieved, while utilisation rate of the barges calling at the West Shenzhen Port Zone can be lifted.

Having completed the equity injection in Dongjiakou Terminal in March 2014, the Group has also become the second largest shareholder of Qingdao Port International Co., Ltd. by acquiring as a promoter an equity stake when the latter went public in June 2014 and became listed on the main board of The Stock Exchange of Hong Kong Limited. These equity investments combined would further strengthen and deepen the already-established long-term partnership between, and thus bringing mutual benefits to, the parties involved. In terms of the management of existing portfolio assets, the Group had been laying stress on and striving to optimize its asset quality through comprehensive and systematic reorganization, evaluation and analysis of its existing portfolio, in order to establish a solid foundation for sustainable development of the Group.

A refined management platform developed by the Group, backed by the adoption of "big data" technology, which captures all operational data on a standardized basis and is designed to avail an efficient management reporting and assessment mechanism through the establishment of a unified corporate database, went live in July 2014. Not only does this platform improve decision-making efficiency and enhance management quality, it also significantly supports performance evaluation processes. The fact that this project was awarded with the First Prize of "Achievement in Modernized and Innovative Management among the Transport Corporations in China" (《全國交通運輸企業管理現代化創新成果》一等獎) in 2014 by the China Association of Communications Enterprises Management indicates the wide industry recognition of the platform.

In regards to innovative developments, the pilot run of the "Remote Control Rubber Tyred Gantry Crane (RTG) Project" implemented in the West Shenzhen Port Zone was awarded by the China Association of Communications Enterprises Management with the First Prize of "Technological Innovation among the Transport Corporations in China" (《全國交通運輸企業科技創新》一等獎) in 2014. The Group has also joined force with companies under COFCO Limited to form "exgrain.com", an integrated trading platform for grains, through a joint venture established in Qianhai, Shenzhen in October 2014, COFCO & CM (Shenzhen) Grain Electronic Trading Center Co., Ltd., which incorporates the elements of "trade, logistics and financing" in optimizing the supply chain of grains and in turn creating value for customers.

Bonded logistics operation continued to show steady growth while cold chain operation was being divested

During the year under review, China Merchants Bonded Logistics Co., Ltd. ("CMBL") has successfully launched the tax return service for the "last mile" cross-border e-commerce exports during the period, signifying the extension of the cross-border e-commerce export business to the entire supply chain. Qianhai Bonded Port Zone has become the pilot unit for cross-border e-commerce imports in Shenzhen, which will help in bringing new profit drivers for CMBL. China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in developing the consolidation and deconsolidation business for international transshipment cargoes, expanding service capabilities, and integrating traditional with new business models, thus achieving noticeable growth in its operational results during the period. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone in Tianjin, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobile (in whole) with a view to building up its unique competitive edge.

During the year, the total volume of air cargoes handled in Hong Kong was 3.85 million tonnes, representing an increase of 9.7% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.59 million tonnes, down 22.6% year-on-year.

On 5 January 2015, the Group entered into a share purchase agreement with China Merchants Shipping and Enterprise Company Limited ("CMSE"), a wholly-owned subsidiary of the Company's ultimate holding company, China Merchants Group Limited, pursuant to which the Company agreed to dispose a wholly-owned subsidiary which holds the Group's cold chain operation, through a 51% equity interest in China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, at a total consideration of HK$760 million along with the transference of a shareholder's loan to CMSE, which is in alignment with the Group's strategy of monitoring regularly and restructuring, as appropriate, its non-core businesses from time to time.

Successful completion of MCS issue contributing to an upgrade in CMHI's credit ratings

In March 2014, the Group proposed to issue the mandatory convertible securities ("MCS") in the principal amount of not less than HK$15.3 billion by way of an open offer to all shareholders, with an aim of improving the Group's credit profile and enhancing its borrowing capabilities.

The issuance of MCS was completed in June 2014, with China Merchants Union (BVI) Limited, which is 50% beneficially owned by the ultimate holding company of the Company, China Merchants Group Limited, fully underwriting the issue, thereby resulting in a significant decrease in the Group's net gearing ratio, and consequently bringing the Group's capital structure to a healthier level and contributing to the upgrade of the Company's credit rating.

Remained to be cautiously optimistic towards the outlook for 2015

Going into 2015, modest growth in the global economy is expected to continue. According to the latest forecast by IMF, global economy is expected to grow by 3.5% in 2015, a 0.2 percentage point improvement as compared to 2014. Global trade volume (including goods and services) is expected to grow by 3.8%, a 0.7 percentage point expansion over that of 2014, while Chinese economy is expected to grow by 6.8%, down 0.6 percentage point as compared to that in 2014. Foreign trade is expected to, with the benefit from the strengthening external demand of certain developed economies, reach a growth rate of approximately 6%.

Despite the persistence of a lackluster global economic and trade growth, together with a slowdown in China's domestic economy, the wide range of strategic and reform initiatives promoted by the new Chinese Government, including "One Belt, One Road" and the establishment of "Free Trade Zones", is expected to bring enormous opportunities and potentials to the Group's business development, the Group, as a result, remains cautiously optimistic towards its ports business in 2015.

As Mr. Li Jianhong indicated, "The Group is expected to encounter numerous market opportunities during 2015, despite the persistence of a challenging macroeconomic environment overall. The Group will continue to monitor the ever-changing market conditions and seek to capture opportunities available, with an aim to steadily facilitate the organic and sustainable developments of the Group's domestic and overseas business, while navigating its business operations to ensure stability and steady progress in line with strategies and objectives established. As always, the Group will endeavour to maximize its profit, enhance its profitability and fulfill its social responsibilities, thereby delivering better returns for our shareholders. We thereby remain confident in our future development."

Note 1: Including revenues of the Company and its subsidiaries, and its share of revenues of associates and joint ventures.

Note 2: Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and joint ventures.

Note 3: Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interests ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and joint ventures.


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