CMPort 2016 Container Throughput Raised 14.5%

Profit totaled HK$5,494 million up 14.3%

The Board of Directors (the “Board”) of China Merchants Port Holdings Company Limited (the “Company”, HKSE Code: 00144) is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the period ended 31 December 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 press conference，Chairman Mr. Li Xiaopeng concluded the Company has achieved four major transformation in 2016, namely "accelerated business development, increased capital contribution, increased market impact, and expanded global impact", by achieved breakthroughs among six major aspects including homebase port development, ports consolidation, overseas expansion, capital management in existing portfolio by integration of industry with elements of finance, operational transformation and business innovation. In year 2017, the Group will continue to explore port acquisition and consolidation opportunities, strengthen port management capacity, coupled with the global trend of economic recovery, it is believed that the Group's container throughput in 2017 would exceed 100 million TEUs. Li also emphasis on the business model of "Port-Zone-City" leaded by China Merchants Group，in which the model could support the development of "Belt and Road" initiative as mean to output "win-win" and even "multiple-win" business model for global economic development.

In the face of the official launch of global shipping alliances, Vice Chairman Mr Hu Jianhua, said that the Group's invested assets are mostly located in important hub ports, and with many years of intimate cooperation with the shipping companies, the Group is always the preferred partner of the shipping alliances. In recent years, shipping companies are facing greater financial pressure, the Group also tried to reduce their pressure through maintaining a stable tariff and increase operation efficiency.

Regarding overseas business, Managing Director Mr. Bai Jingtao said，the Group's project in Sri Lanka, Colombo International Container Terminals Limited(CICT) achieved a breakthrough of 2million TEUs in 2016, the actual throughput capacity of CICT can reach 2.6 million TEUs. At the same time, the Group actively participate in the tender of east Colombo port project, in order to strive for bigger development capacity.

With regard to the fluctuation of RMB exchange rate, CFO Lu Shengzhou said that as most of the Group's investment and projects are located in Mainland China, the devaluation of the RMB has certain impact on the Group's profit and assets, the Group actively take measures to minimize exchange losses through operation management. In 2016, the net exchange losses of the Group has decreased by HK$130 million compared with 2015.

Following lists the major performance indicators of the Company in 2016：

- **Container throughput handled rose 14.5% year-on-year to 95.77 million TEUs (2015: 83.66 million TEUs);**
- **Total bulk cargo volume handled was 460 million tonnes (2015: 353 million tonnes), up 30.2% year-on-year;**
- **Profit attributable to equity holders of the Company totaled HK$5,494 million (2015: HK$4,808 million), up 14.3% year-on-year;**
- **Recurrent profit attributable to equity holders of the Company amounted to HK$4,581 million (2015: HK$4,462 million), a year-on-year increase of 2.7%;**
- **rofit derived from the Group's core ports operation was HK$5,558 million (2015: HK$ 4,462 million), up 24.6% year-on-year;**
- **Ports operations recorded an EBITDA of HK$11,542 million (2015: HK$10,610 million), an increase of 8.8% year-on-year;**
- **Basic earnings per share was 175.58 HK cents (2015: 155.07 HK cents), up 13.2% year-on-year;**

2016 dividend was 87 HK cents per ordinary share (2015: 77 HK cents), implying payout ratio of 41.5%.

In light of unfavourable global economic and trade environment, the global ports growth continued to slow down in 2016, the Group insisted on following the strategic guidance and adhered to the three strategic directives of " focus on domestic markets, overseas expansion and innovation", seeking to achieve breakthroughs among six major aspects including homebase port development, ports consolidation, overseas expansion, capital management in existing portfolio by integration of industry with elements of finance, operational transformation and business innovation. The Group has achieved remarkable progress over the year thus ensuring the sustainable growth of the Group's core ports operation and its business performance.

In 2016, the overall operating performance of the Group can be summarised by "five merits", namely a steady and orderly kickoff, well-planned consolidation, successful port networking, innovation-in-progress and powerful "Dual Drives". In terms of ports operation, the domestic and overseas projects in which the Group invested delivered a record-high container throughput of 95.77 million TEUs in aggregate, up 14.5% from 2015, bulk cargo throughput of 460 million tonnes, representing an increase of 30.2% year-on-year.

In 2016, revenue from the Group's core ports operation (note 1) amounted to HK$24,506 million, up 14.0% year-on-year. The Group's core ports operation recorded an EBITDA (note 2) of HK$11,542 million, an increase of 8.8% year-on-year.

Profit attributable to equity holders of the Company amounted to HK$5,494 million for the year ended 31 December 2016, representing an increase of 14.3%. Recurrent profit attributable to equity holders of the Company was HK$4,581 million, up 2.7% year-on-year. Profit derived from the core ports operation was HK$5,558 million, up 24.6% year-on-year. Basic earnings per share was 175.58HK cents, up 13.2% year-on-year.

In 2016, the port-related manufacturing operation of the Group was impacted by the downturn of global shipping industry, as seen in a 48.7% year-on-year decline in sales of dry cargo containers and reefers to 0.67 million TEUs recorded by China International Marine Containers (Group) Co., Ltd. ("CIMC"). CIMC's profit attributable to equity holders was RMB540 million in 2016, down 73.4% year-on-year.

To appreciate shareholders for their continuous support, the Board of the Company proposed a 2016 final dividend of 65 HK cents per ordinary share, up 18.2% compared with last year, deriving a full year dividend of 87 HK cents per ordinary share which implies a dividend payout ratio of 41.5%. 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 2016

Region	Port	2016 Throughput (million TEUs)	Year-on-year change (%)
Mainland China	West Shenzhen	10.97	2.0
	Chu Kong River Trade Terminal	1.38	6.3
	SIPG	37.13	1.6
	Ningbo Daxie	2.65	-2.1
	Tianjin Five Continents	2.57	0.1
	Qingdao	6.50	-2.4
	Dalian Port	9.67	N/A
	Zhanjiang Port Group	0.72	17.6
	Zhangzhou	0.34	4.2
	Total - Mainland China	71.93	17.0
Hong Kong & Taiwan	Hong Kong	5.15	11.5
	KMCT, Kaohsiung	1.73	13.3
	Total - Hong Kong and Taiwan	6.88	12.0
Overseas	Nigeria	0.41	-13.0
	Djibouti	0.99	10.1
	Terminal Link	12.35	-2.1
	Sri Lanka	2.02	29.1
	Togo	0.53	5.1
	Tuekey, Kumport	0.66	N/A
	Total - Overseas	16.96	5.7
CMPort Total		95.77	14.5

Benefited from newly-acquired projects, container throughput in mainland China raised 17%

In 2016, the Group's ports handled a total container throughput of 95.77million TEUs, up by 14.5% year-on-year, among which the Group's ports in Mainland China contributed container throughput of 71.93 million TEUs, indicating an increase of 17.0% year-on-year, which was mainly driven by the additional contribution from a new equity investment in Dalian Port (PDA) Company Limited ("Dalian Port")in early 2016, thereby enabling the Group to sustain its leading position among Chinese port operators. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 6.88 million TEUs, representing a growth of 12.0% over last year. Benefited from the rapid growth of the port operation of Colombo International Container Terminals Limited ("CICT") in Sri Lanka and the additional contribution from Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi 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 5.7% year-on-year to 16.96 million TEUs.

Total bulk cargo volume handled by the Group's ports increased by 30.2% year-on-year to 460 million tonnes, within which ports in Mainland China handled bulk cargo volume of 453 million tonnes, representing an increase of 30.2% year-on-year. Port de Djibouti S.A. ("PDSA") in Djibouti contributed a bulk cargo volume of 6.52 million tonnes, reflecting an increase of 25.8% as compared to 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, resources consolidation and optimisation of its cargo collection-distribution system. For the upgrade of hardware during 2016,the construction for phase II of Tonggu Channel widening project officially commenced in November. After the project is completed and commences operation, the navigation conditions in the West Shenzhen Port Zone will be further improved. With respect to resources consolidation, a financial resource sharing centre was established in the West Shenzhen Port Zone to centralise the accounting operation and commonly share the finance workforce resources, further enhancing the integrated operation. As for the cargo collection-distribution system, the West Shenzhen Port Zone entered into cooperation with Sinotrans Guangdong Co., Ltd., to explore the effective integration of logistics, shuttle-barge and port resources of both parties through coordination of assets, businesses and talents. The launching of an innovative product called "one-stop service for transit at the Pearl River Delta", which 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.

Explore integrative port development model, seize investment opportunities from mainland and overseas

In 2016, the Group's overseas projects contributed 17.7% of its total container throughput, which had become a core growth driver of the Group. By actively pursuing the development direction of "solidify ports layout in Asia, improve ports network in Africa, expand footprint in Europe and acquire new exposure in Americas", the Group analysed and captured investment opportunities in ports, logistics and the relevant infrastructure along the sea route so as to continuously optimise the Group's global port network. Meanwhile, by grabbing the opportunities arising from the development and construction of Djibouti International Free Trade Zone, the Group actively participated in the upgrade of its ports facilities, and planning and construction of surrounding industrial zones, which gathered experience and laid foundation for exploring "Port-Zone-City", a comprehensive port development model, and deployment and establishment of “Checkpoints along the Maritime Silk Road”.

As for the Group’s strategies for the Chinese port market, capitalising on the opportunities arising from the restructuring of regional ports in China, the Group aiming towards collaboration and principle of mutual benefits, proactively enhanced the interaction and exchange with major port groups along coastal China with a view to identify new investment and cooperation opportunities, so as to further improve its domestic port network and to achieve synergy.

With steady growth in bonded logistic businesses, cross-border e-commerce had become the new profit driver

In 2016, the Group’s bonded logistic business sustained a good growth momentum, with remarkable results on innovations initiatives. Through optimising the customer structure, China Merchants Bonded Logistics Co., Ltd., a subsidiary of the Group in Shenzhen, recorded a warehouse utilisation rate of 86%. Leveraging on the opportunities arising from the inclusion of Qingdao City as one of the pilot cities under the comprehensive pilot zone for cross-border e-commerce, China Merchants International Terminal (Qingdao) Co., Ltd. conducted its cross-border e-commerce business following a systematic action plan and took the 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.

Proactively explore innovative businesses to promote the transformation of port integrated services

With regards to innovative development, the Group proactively explored and promoted the establishment of a comprehensive port ecosystem upon the foundation of port operations. It also enhanced the synergy and integration between the 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 realising the transformation from a terminal operator to a comprehensive port services provider. The overall planning and design of the “E-port” project in West Shenzhen Port Zone has been completed and the construction would be carried out in three phases, forming an unified service platform in the West Shenzhen Port Zone. The business scale of “exgrain.com”, an integrated electronic bulk trading platform for grains cooperated with COFCO Corporation, expanded rapidly with an aggregate spot trading volume for the year exceeding 12.00 million tonnes.

Under both opportunities and challenges, prospect stable and positive business growth in 2017

According to IMF, the global economy is forecasted to grow by 3.4% in 2017, while world trade volume is projected to grow by 3.8%. China's economy is expected to grow by 6.5% in 2017, and the decrease in import and export value of China's foreign trade is expected to narrow down.

Against the backdrop of a feeble economic recovery and the restorative growth of world trade, the global port industry is again anticipating a picture of slow growth in 2017. Competition among different alliances will become even more intense. The port industry is presented with further challenges and opportunities, with a concentrated market layout that is dominated by the three large shipping alliances to be formed by 2017, namely 2M, OCEAN and THE Alliance, along with the rearrangement of trade routes. The supply glut in shipping industry will persist and the transition from competition to consolidation will be the main development trend for domestic ports. It is expected that the Group's ports operation will still maintain a relatively positive growth mainly driven by the rapid growth of new projects and overseas projects in year 2017.

Li Xiaopeng emphasised, "The year of 2017 is critical to achieving the three-year strategic goal. Constantly gravitating upon the strategic vision of "becoming a world-class comprehensive port services provider", the Group will further promote the construction of a comprehensive port ecosystem, enhance quality, efficiency and capability, as well as strengthen, optimise and expand the core ports operation. The Group will strive the achievement of three strategies directives of "Consolidation", "Port-Zone-City" and "Innovation" in order to maximise shareholders' value while enhancing profitability, thereby delivering better returns for its shareholders."

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 2016, gain on disposal of an available-for-sale financial asset, gain on deemed disposal of interests in associates and change in fair value of investment properties; while for 2015, gain on disposal of subsidiaries, gain on partial disposal of an associates, change in fair value of investment properties, gain on deemed disposal of interests in associates and a joint venture, and additional provision of deferred taxation upon deemed disposal.


CMPort 2016 Annual Results Press Conference


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