CMPort 2018 net profit rose 20.2% to HK$7,245 million

Achieved full coverage of the six continents with overseas projects as the 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 annual results of the Company and its subsidiaries (the “Group”) for the period ended 31 December 2018.

A press conference was held on 1 April 2018 in Hong Kong and was hosted by Managing Director Dr. Bai Jingtao. Deputy General Manager Mr. Yan Gang and Chief Financial Officer Ms. Wen Ling also attended the meeting and answered questions from the press.

Facing the opportunities brought by the shifting of the manufacturing Industries in Pearl River Delta as well as the Guangdong-Hong Kong-Macao Greater Bay Area, Dr. Bai Jingtao said, “There are several players in the Pearl River Delta port industry and they are in a “rival and cooperate” relationship. Through reasonable division of work, rational use of resources and government guidance, the parties inquire a win-win development situation, especially on cooperation of Green Ports and technological innovation, which will provide better service support for the future development in Guangdong-Hong Kong-Macao Greater Bay Area. ”

Regarding the impact of the Hong Kong Seaport Alliance, Mr. Yan Gang stressed that the alliance would help to reduce the logistics costs of shipping companies berthing in Hong Kong as well as enhance Hong Kong's ports competitiveness. In the first quarter of 2019, the container throughput volume in the Pearl River Delta of the Company was similar to the same period last year, which is slightly lower than that in the Yangtze River Delta, this is mainly due to the higher base of 2018, but the Company is cautiously optimistic on the full year’s prospect.

Ms. Wen Ling said, “the net profit of CMPort increased significantly in 2018 due to the disposal of Shenzhen Chiwan， which recognised a gain of HK$3,733 million (net of tax). However, the recurrent net profit decreased mainly due to the decrease in share of profits from associates and joint ventures, and the increase in financial cost. ”

Dr. Bai Jingtao stated, “As for year 2019, the regional global trade volume is expected to increase, which will hence support the import and export volume. The container throughput of CMPort is expected to maintain a growth rate which is similar to last year. Furthermore, CMPort will adhere to the three principals of regional balance, business balance and development phase balance while looking for investment opportunities all over the world. At the same time, the Company will continue to strengthen its cooperation with shipping companies, partners in the investment area as well as funds, in order to provide more protection and opportunities, and also reduce investment and operation risks for further mergers and acquisitions.

Highlights of 2018 Annual results of the Group:

- **Container throughput volume rose by 6.0% year-on-year to 109.06 million TEUs (2017: 102.90 million TEUs);**
- **Total bulk cargo volume handled 502 million tonnes (2017: 507 million tonnes), down by 1.0% year-on-year;**
- **Revenue totaled HK$10,160 million (2017: HK$8,692 million), up by 16.9% year-on-year;**
- **Profit attributable to equity holders of the Company totaled HK$7,245 million (2017: HK$6,028 million), up by 20.2% year-on-year;**
    - ✓ **Profit derived from the Group's core ports operation was HK$8,408 million (2017: HK$5,551 million), up by up by 51.5% year-on-year;**
- **Basic earnings per share was 219.54 HK cents (2017: 183.90 HK cents), up by 19.4% year-on-year;**
- **Annual dividend of 95 HK cents per ordinary share (2017: 81 HK cents per ordinary share). Payout Ratio 43.6%**

Since 2018, the global economy has in general maintained its growth momentum but on an unsolid ground and in an increasingly complicated economic and political environment. Trade frictions provoked by the United States against a number of countries and regions worldwide have affected the operating environment for corporates and confidence of financial market, threatening the development of global economy and trade. Amid the growing uncertainties over the development of global economy and trade and intensified downward pressure on the macro economy, the Group has adhered to its strategic directives, acted under 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”, and pursued various designated tasks in a comprehensive and pragmatic manner, the overall operating performance of the Group was satisfactory with the steady growth of business. In 2018, the Group’s ports handled a total container throughput of 109.06 million TEUs, representing a growth of 6.0% as compared with last year, and bulk cargo volume of 502 million tonnes, due to the disposal of equity interest of Shenzhen Chiwan Wharf Holdings Limited (“Shenzhen Chiwan”) and the upgrade and renovation project of Shenzhen Haixing Harbour Development Co., Ltd. (“Haixing Port”), bulk cargo volume recorded a decrease of 1.0% as compared with last year.

During the period under review, as a result of the new acquisition projects and a rise in business volume, the Group’s revenue amounted to HK$10,160 million, up by 16.9% over the same period last year. Profit attributable to equity holders of the Company amounted to HK$ 7,245 million, up 20.2% over the same period last year, which included a gain of HK$3,733 million (net of tax) recognised from the disposal of the Group’s equity interest in Shenzhen Chiwan during the year, but the fair value of financial assets at fair value through profit or loss, net of deferred tax, decreased approximately HK$1,008 million under new accounting standards for financial instrument.

To appreciate shareholders for their continuous support, the Board of the Company proposed a 2018 final dividend of 73 HK cents per ordinary share, together with the interim dividend of 22HK cents per ordinary share, deriving a full year dividend of 95 HK cents per ordinary share which implies a dividend payout ratio of 43.6%. 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 2018

Region	Port	2018 Throughput ('0000 TEUs)	Year-on-year change (%)
Mainland China	West Shenzhen*	1068.5	(4.4)
	Chu Kong River Trade Terminal**	116.8	(13.3)
	SIPG	4200.6	4.4
	Ningbo Daxie	316.0	5.1
	Tianjin Five Continents	271.9	3.4
	Qingdao	693.1	11.1
	Dalian Port	1110.7	3.3
	Zhanjiang Port Group	98.4	9.7
	Zhangzhou	45.7	13.9
	Shantou	129.1	245.6
	Shunde	22.1	318.2
	Total - Mainland China	8072.9	4.7
Hong Kong & Taiwan	Hong Kong	592.9	2.5
	KMCT, Kaohsiung	174.5	2.8
	Total - Hong Kong and Taiwan	767.4	2.5
Overseas	Nigeria	48.0	2.4
	Djibouti***	85.9	(7.5)
	Terminal Link	1363.9	8.6
	Sri Lanka	267.7	12.0
	Togo	105.1	18.3
	Turkey, Kumport	125.8	18.3
	TCP	69.3	n/a
	Total - Overseas	2065.7	12.9
CMPort Total		10906.0	6.0

* Due to the disposal of equity interest of Shenzhen Chiwan in June 2018 and the upgrade and renovation project in Haixing Port, container throughput in West Shenzhen decreased compared to the same period of last year. If the effect from Shenzhen Chiwan was taken off, the organic growth in West Shenzhen increased by 2.1% year-on-year.

** Chu Kong River Trade Terminal's performance was affected by China's environmental protection policy, which results in a decrease of import foreign garbage in several terminals in the Pearl River Delta.

***The business in Djibouti was affected by to the depreciation of Ethiopia currency and the unstable political situation in Ethiopia.

Throughput volume outperformed global growth rate boosted by the overseas projects

In 2018, the Group's ports handled a total container throughput of 109.06 million TEUs, up by 6.0% year-on-year, outperformed global container throughput growth of 5.3%. Bulk cargo volume recorded a decrease of 1.0% to 502 million tonnes due to the disposal of equity interest of Shenzhen Chiwan and the upgrade and transformation project in Haixing Port. In terms of regions, the Group's ports in Mainland China contributed container throughput of 80.73 million TEUs, indicating an increase of 4.7% year-on-year, which was mainly driven by the steady recovery of the economy and the growth of import and export in Mainland China. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 7.67 million TEUs, representing a growth of 2.5% as compared with last year. Overseas ports grew by 12.9% year-on-year to 20.66 million TEUs, among which, Colombo International Container Terminals Limited in Sri Lanka rose by 12.0% year-on-year to 2.68 million TEUs, Lomé Container Terminal S.A. in Togo increased by 18.3% year-on-year to 1.05 million TEUs, Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey handled 1.26 million TEUs, up by 18.3% year-on-year, Terminal Link SAS, which acquired Thessaloniki Port Authority SA in Greece at the beginning of the year, handled 13.64 million TEUs, representing an increase of 8.6% year-on-year, TCP Participações S.A. ("TCP") in Brasil, the transaction of which was officially completed in February 2018, contributed a container throughput of 0.69 million TEUs from March to December.

Full coverage over six continents and steady promotion on comprehensive development

Regarding overseas expansion, the Group has further refined and improved its overseas development strategy. Towards the goals of "constructing homebase port in Asia, increasing controlling stakes in Europe, further development in Africa and presence in Americas", the Group sought its presence in major hub locations, gateway ports and regions with huge market potential, fast economic growth and positive development prospects. In

February 2018, the Group successfully completed the acquisition of 90% equity interest in TCP in Brasil. In June 2018, the Group completed the acquisition of 50% equity interest in the Port of Newcastle in Australia, which signified that the Group's overseas port network achieved a full coverage of the six continents. Moreover, while pursing the development planning of the Hambantota port project in Sri Lanka, Hambantota port actively developed the wheeled and bulk cargo business, which achieved results exceeding expectation. In 2018, the Group's overseas ports contributed 18.9% to its total container throughput, and have become an important driver for the Group's business growth.

With respect to comprehensive development, the Group actively pushed forward the implementation of the comprehensive development model of "Port-Park-City". The Group achieved breakthroughs in the Djibouti project and the Hambantota port in Sri Lanka, with the commencement of operation of the Djibouti International Free Trade Zone and the completion of the overall concept planning for the comprehensive development project in Hambantota, based on which the Group will further expand the value-added port services to the ports where it operates and the adjacent cities.

Strategic restructuring on equity interest and upgrade of hardware and software in homebase port

In terms of port consolidation, the Group has established a strategic layout with a focus on "developing in Guangdong-Hong Kong-Macao Greater Bay Area, connecting regions along the Belt and Road Initiative with a broad global network coverage" through the strategic restructuring, which served as the development and management platform for the overseas ports of China Merchants Group.

Regarding the development of its homebase ports, Tonggu Channel dredging and widening project in West Shenzhen Port Zone was completed and successfully served mega vessels of 200,000 deadweight tonnage. Moreover, the transformation project of Haixing Port progressed as scheduled while the construction plan of "Smart Port" has been proved and already entered into the implementation stage. With the idea of "achieving strong synergies under a large logistics scope", the Group has facilitated the cooperation between West Shenzhen Port Zone and river terminals in Pearl River Delta, which achieved preliminary results.

Innovation in multiple fields to boost the technical involvement of port business

With regard to business innovation, the Group has innovated the integration model of industry with elements of finance, prepared for the establishment of China Ports Venture Capital, and promoted collaboration of industries and matching with financial resources. The Group has also upgraded its management innovation, as shown by the completion of "E-Port" Phase II and the commencement of integration and construction of various platforms and services, such as "EDI" platform system, call centre, big data platform and visualised platform to achieve full service coverage for shipping companies, barge companies, shipping agencies, customs brokers and truck drivers.

The Group has also actively promoted projects such as RTG remote control, digitalisation of ports operation and big data analysis for global containers, which further improved the technological edges of the ports operation.

Adhere to sustainable development and shaping blue dreams together

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 expanded 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 by participating actively in various community and charitable activities. In 2018, the Group continued to organise the advanced-level port and shipping training programme called "Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century", providing training for overseas trainees to acquire professional knowledge and enhance operational capability, at the same time promoting the economic development and social progress of countries along the Belt and Road Initiative on a continuous basis.

Core port business is expected to maintain a steady growth in 2019

Looking into 2019, global economy is facing an increasing risk of weakening momentum for the cyclical recovery. Affected by the adjustments of trade and investment policies brought by "deglobalisation", including the US-China trade frictions, the global trade will encounter an profound adjustment in the future: the growth will slow down in general, but there will be much room for growth in the trade and seaborne freight volume of emerging countries and regions in South East Asia, South Asia and East Africa, etc. Benefitted from its overseas network layout, it is expected that the Group's ports operation will sustain a steady growth in 2019, mainly driven by the rapid growth of new projects and overseas projects.

In 2019, the Group will uphold the strategic principle of "aiming at achieving the vision, while grasping instant opportunities, leveraging on technologies and embracing changes", strengthen synergic cooperation externally and accelerate integration and development internally, make efforts to enhance various capabilities, improve risk management and control, establish quality development models and be committed to the vision of "to be a world's leading comprehensive port service provider". Facing the opportunities and challenges brought by the changing ports operation, the Group will endeavour to maximise shareholder's value while enhancing profitability, thereby delivering better investment return for its shareholders.


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