

WE CONNECT THE  
WORLD

CMHI

# 2014 Annual Results Presentation

31 March 2015



招商局國際有限公司  
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

**Performance Highlights**

**Business Analysis**

**Operations Review**

**Outlook**

**Q & A**

# Performance Highlights

## Profit & Loss and Dividend Payout

- ◆ Performance for core ports operation enhanced with additional contributions from overseas projects, resulting in a 14.7% growth to the Group's recurrent profit
- ◆ The core position of ports operation was further solidified

Items	FY2014	FY2013	Y-o-Y Change
Container throughput (million TEUs)	80.84	71.32	13.4%
Bulk cargo throughput (million Tonnes)	363	349	4.1%
	HK\$'million	HK\$'million	
Revenue <sup>1</sup>	47,414	42,218	12.3%
<b>Revenue derived from ports operation</b>	<b>21,120</b>	<b>20,033</b>	<b>5.4%</b>
EBITDA <sup>2</sup>	13,607	12,952	5.1%
<b>EBITDA derived from ports operation</b>	<b>10,815</b>	<b>9,806</b>	<b>10.3%</b>
<b>Profit attributable to equity holders of the Company</b>	<b>4,526</b>	<b>4,213</b>	<b>7.4%</b>
<b>Derived from ports operation</b>	<b>4,330</b>	<b>3,937</b>	<b>10.0%</b>
Recurrent profit	4,599	4,008	14.7%
Basic EPS (HK cents) <sup>3</sup>	159.41	166.89	-4.5%
<i>Interim dividend per ordinary share (HK cents)</i>	<i>22.00</i>	<i>22.00</i>	<i>Flat</i>
<i>Final dividend per ordinary share (HK cents)</i>	<i>55.00</i>	<i>55.00</i>	<i>Flat</i>
Total dividend per ordinary share (HK cents)	77.00	77.00	Flat
Payout Ratio	43.5%	46.2%	-2.7 ppt

Notes: 1. Revenue = Revenue of the Company and its subsidiaries + share of revenue of its associates and joint ventures

2. EBITDA = EBITDA of the Company and its subsidiaries + share of EBITDA of its associates and joint ventures + cash dividend from other companies

3. Number of shares as at 31 Dec 2014 has included the 505,179,749 units of MCS which will be ultimately converted into ordinary shares

# Performance Highlights

## Financial Position

- ◆ Total assets surpassing HK\$100 billion level, together with the significant decline in debt level, has resulted in a healthier capital structure

Items	31 Dec 2014	31 Dec 2013	Y-o-Y Change
	HK\$'million	HK\$'million	
Total assets	<b>102,436</b>	<b>89,191</b>	14.9%
Net assets attributable to equity holders of the company	<b>67,430</b>	<b>48,599</b>	38.8%
NAV per share (HK\$) <sup>1</sup>	<b>22.0</b>	<b>19.2</b>	14.6%
Interest-bearing debts <sup>2</sup>	<b>19,971</b>	<b>26,958</b>	-25.9%
Cash and bank balances	<b>9,501</b>	<b>3,205</b>	196.4%
Net interest-bearing debts	<b>10,470</b>	<b>23,753</b>	-55.9%
Net gearing ratio <sup>3</sup>	<b>13.9%</b>	<b>42.1%</b>	-28.2 ppt

Notes: 1.. Number of shares as at 31 Dec 2014 has included the 505,179,749 units of MCS which will be ultimately converted into ordinary shares

2. Interest-bearing debts include bank loans, listed notes and loans from China Merchants Group.

3. Net gearing ratio is calculated as period-end net debt divided by period-end net assets

# Performance Highlights

## Business Analysis

- Ports Operation
  - Container Handling Operation
  - Bulk Cargo Handling Operation
- Logistics Operation
- Port-related Manufacturing Operation

## Operations Review

## Outlook

## Q & A

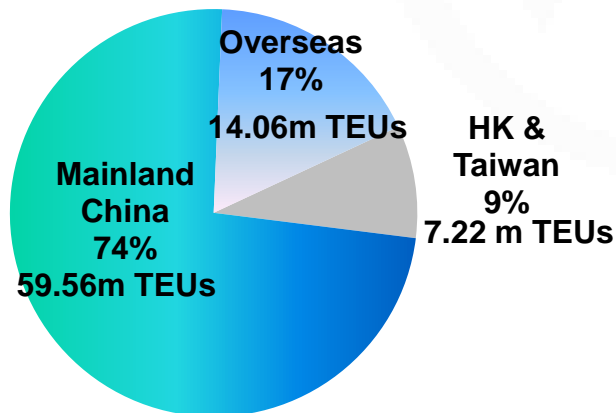
# Business Analysis

## Ports - Container Handling Operation

- ◆ Container throughput handled exceeded 80 million TEUs for the first time, up by 13.4% year-on-year
- ◆ CMHI's terminals in Mainland China showed steady business growth, while overseas business grew significantly
- ◆ Proportion of throughput derived from CMHI's overseas terminals to Group's total reached 17%

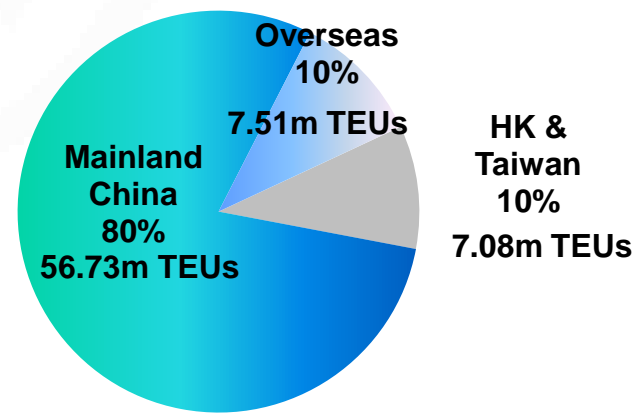
2014 Container Throughput

80.84m TEUs (+13.4%)



2013 Container Throughput

71.32m TEUs



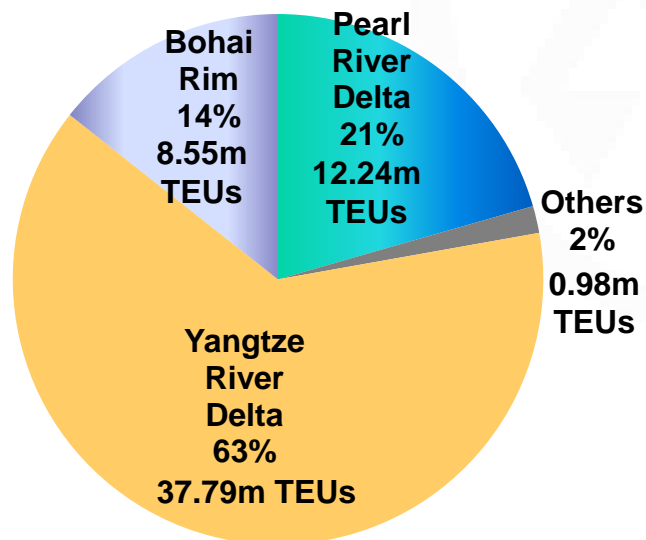
# Business Analysis

## Container Throughput by Region – Mainland China

- ◆ CMHI's ports in Mainland China delivered stable growth, registering container throughput of 59.56 million TEUs

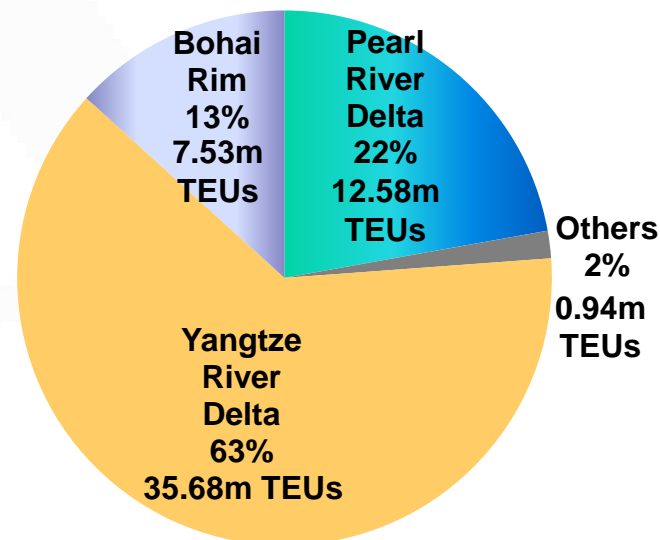
2014 Container Throughput  
– Mainland China

59.56m TEUs (+5.0%)



2013 Container Throughput  
– Mainland China

56.73m TEUs



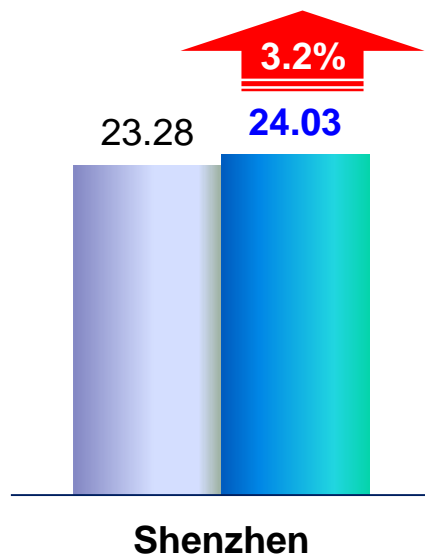
# Business Analysis

## Container Handling Operation – Pearl River Delta

- ◆ Revenue for the region increased, thanks to the efforts towards improving container box mix
- ◆ The decline in domestic volume was attributed to the restructuring of shipping alliance, however international volume at CMHI's West Shenzhen ports was still growing at a faster pace than overall Shenzhen

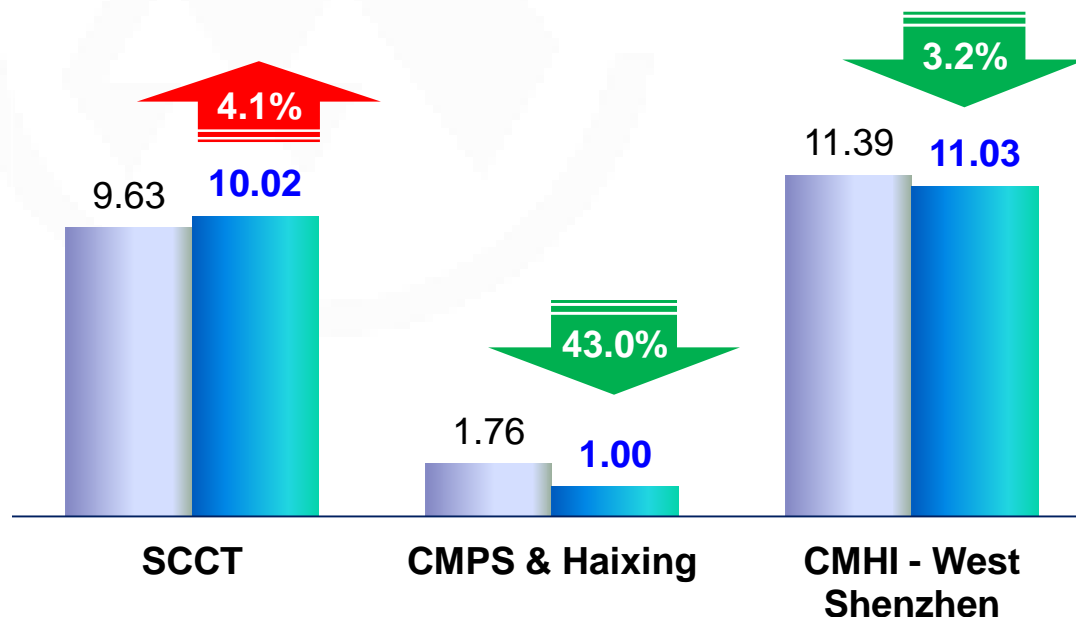
Container Throughput  
(million TEU)

■ 2013 ■ 2014



Container Throughput (million TEU)

■ 2013 ■ 2014



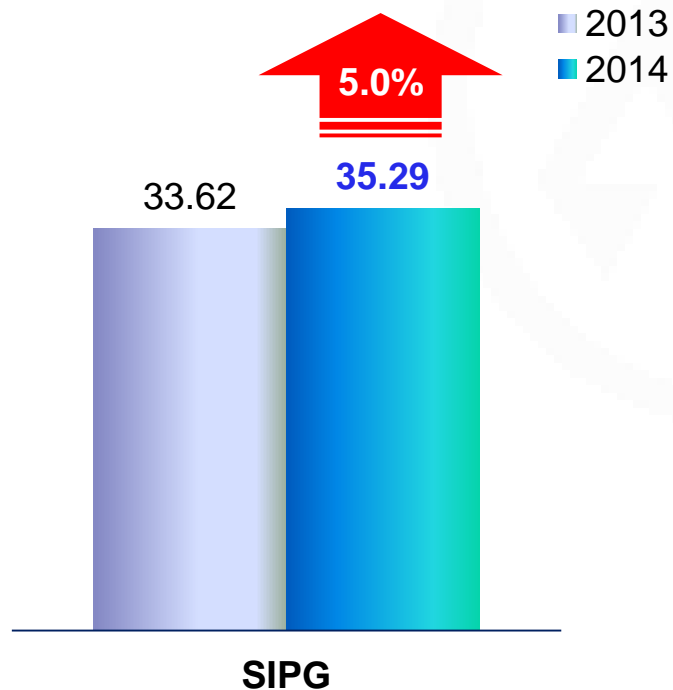


# Business Analysis

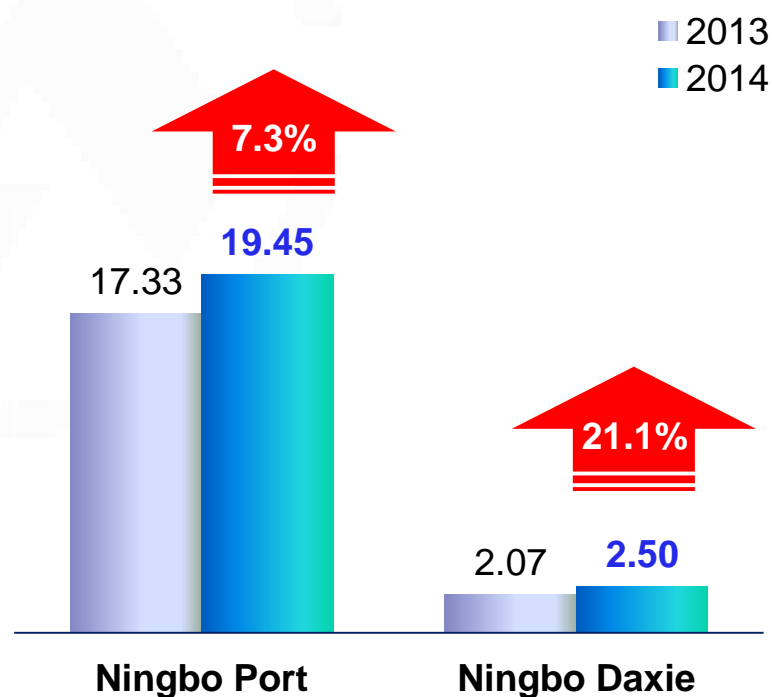
## Container Throughput by Region – Yangtze River Delta

- ◆ SIPG continued to be the largest port among global container terminals in throughput terms
- ◆ Ningbo Daxie's volume was growing at a pace faster than the region's

Container Throughput (million TEU)



Container Throughput (million TEU)

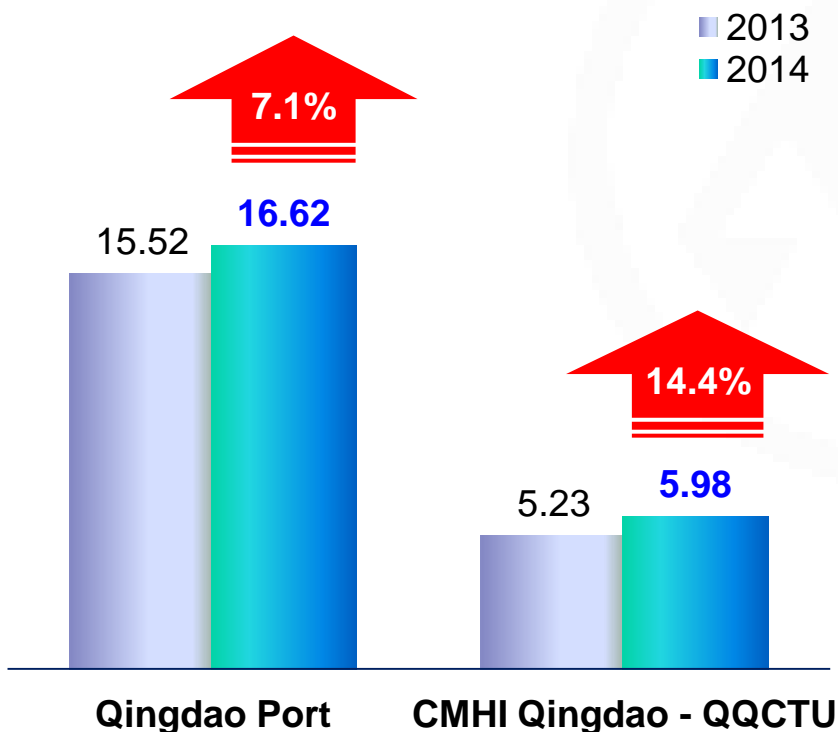


# Business Analysis

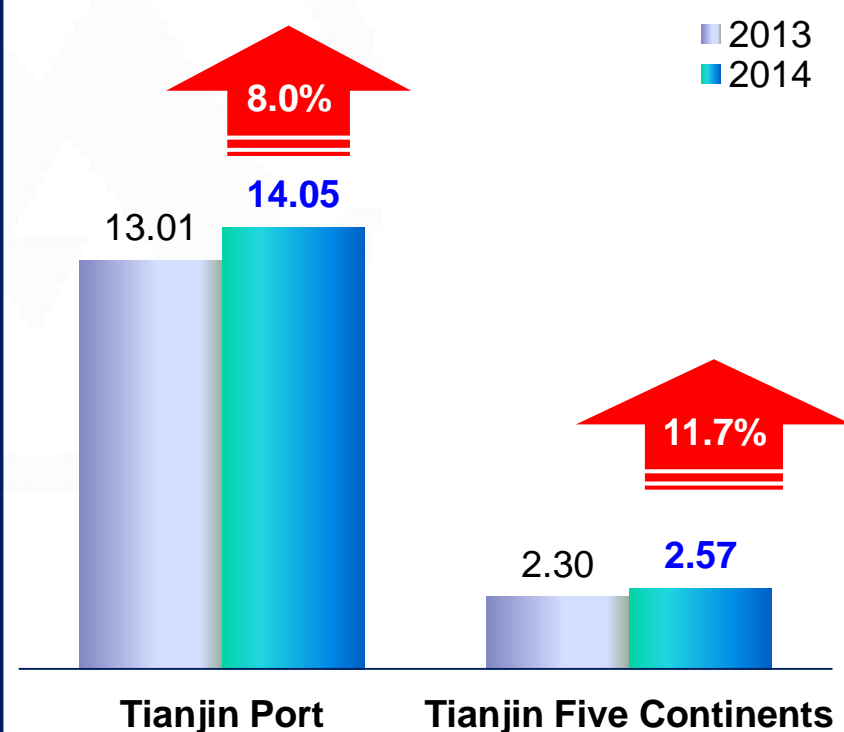
## Container Throughput by Region – Bohai Rim

- ◆ Enhancement in Qingdao project's results and throughput handled were led by the improvement in shipping route and container box mix
- ◆ Rapid growth continued in Tianjin Five Continents' container throughput

Container Throughput (million TEU)



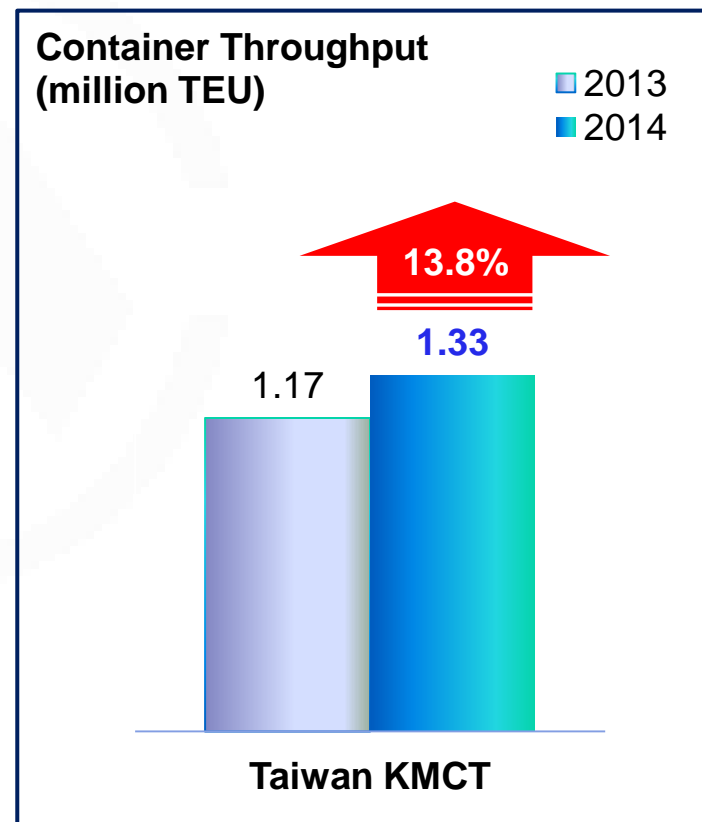
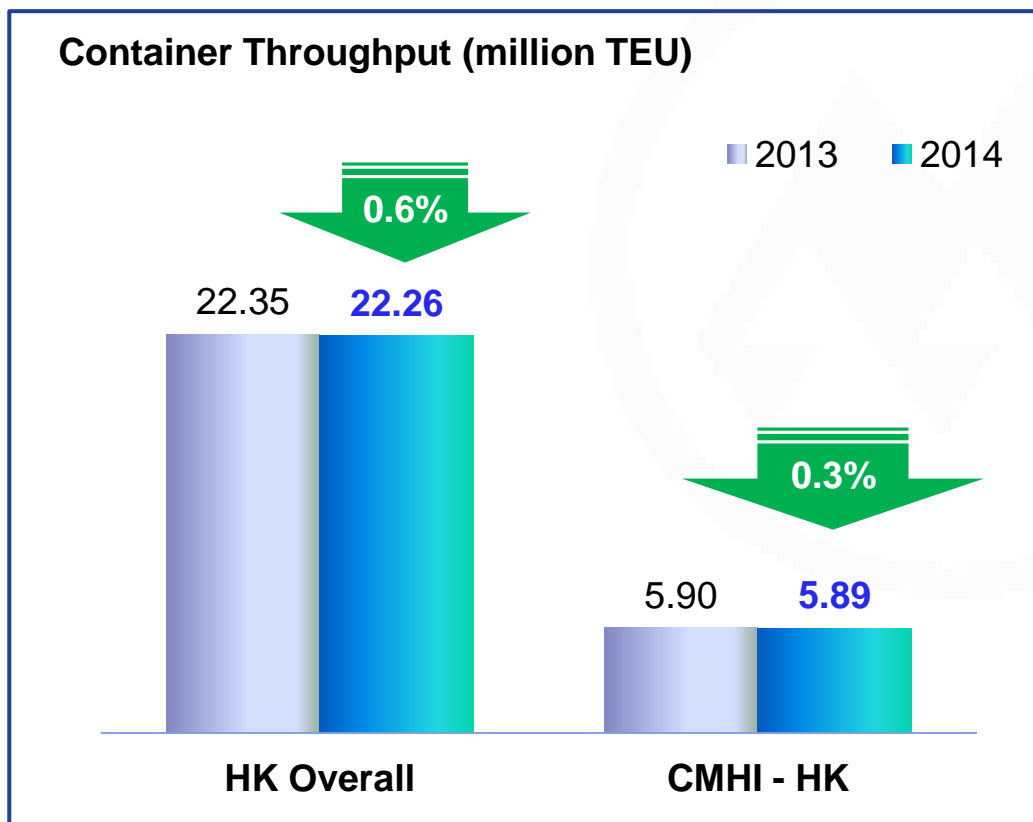
Container Throughput (million TEU)



# Business Analysis

## Container Throughput by Region – Hong Kong and Taiwan

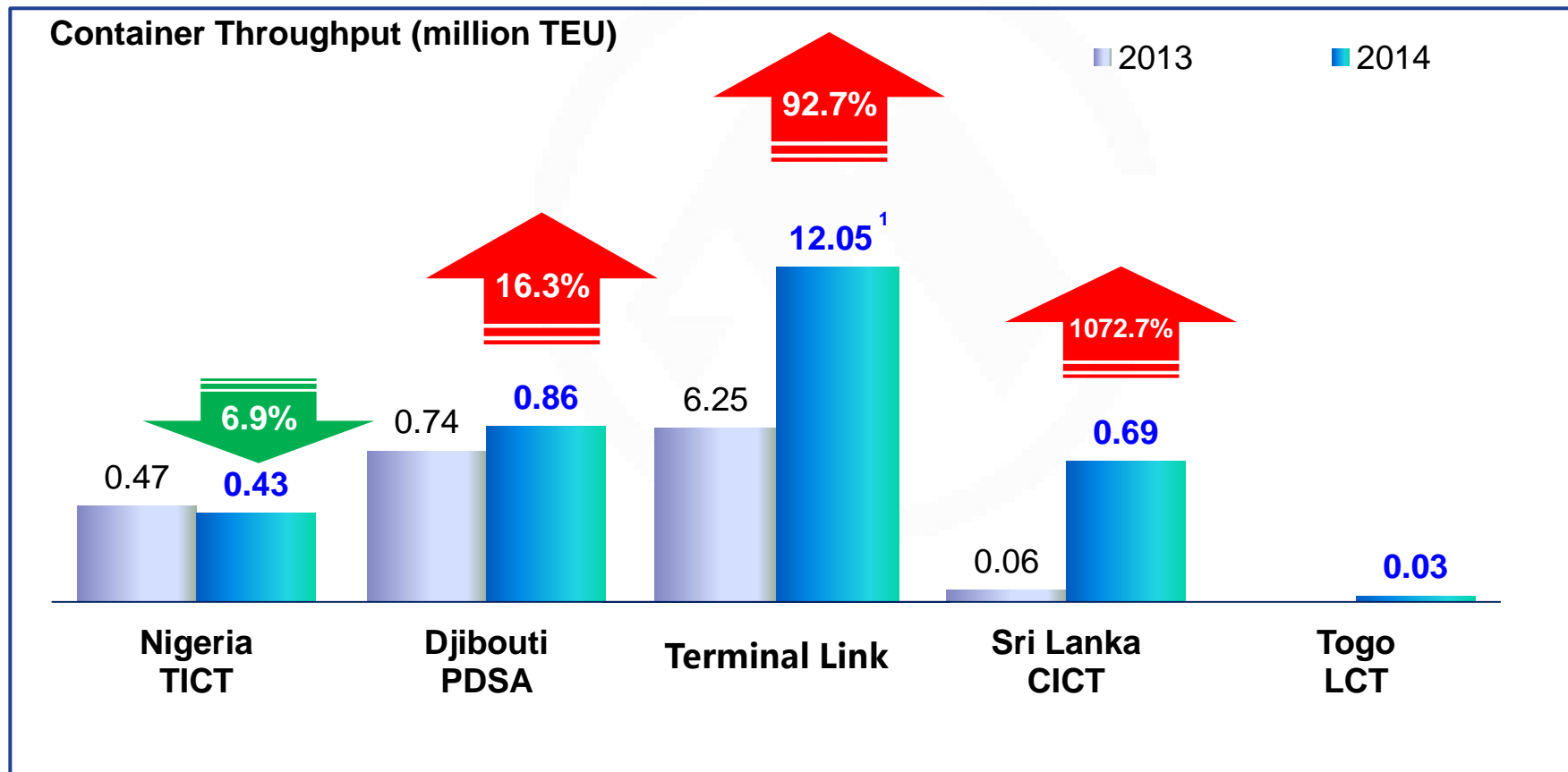
- ◆ Stable growth seen in Hong Kong, as a region, and CMHI's ports in Hong Kong
- ◆ Throughput in CMHI's port in Taiwan continued its swift growth



# Business Analysis

## Container Throughput by Region – Overseas

- ◆ Aggregate throughput handled by the Group's overseas projects was 14.06 million TEUs, up 87.1% year-on-year



Note 1. Throughput for Terminal Link in 2014 is an estimated figure

# Performance Highlights

## Business Analysis

- Ports Operation
  - Container Handling Operation
  - Bulk Cargo Handling Operation
- Logistics Operation
- Port-related Manufacturing Operation

## Operations Review

## Outlook

## Q & A

# Business Analysis

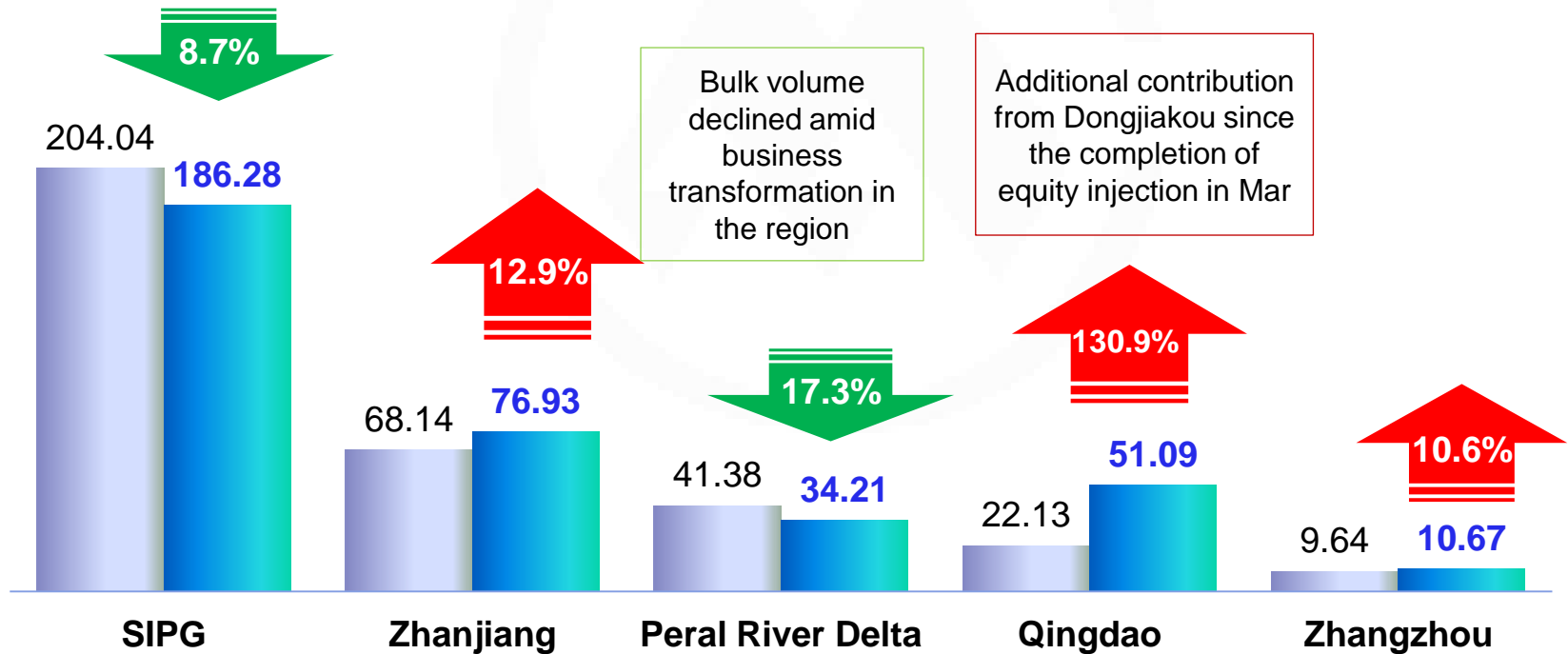
## Ports - Bulk Cargo Operation

◆ Bulk cargo operation maintained steady growth in general

### Bulk Cargo Volume (Million Tonnes)

■ 2013 ■ 2014

Total volume for 2014: 363m tonnes (+4.1%)



# Performance Highlights

## Business Analysis

- Ports Operation
  - Container Handling Operation
  - Bulk Cargo Handling Operation
- Logistics Operation
- Port-related Manufacturing Operation

## Operations Review

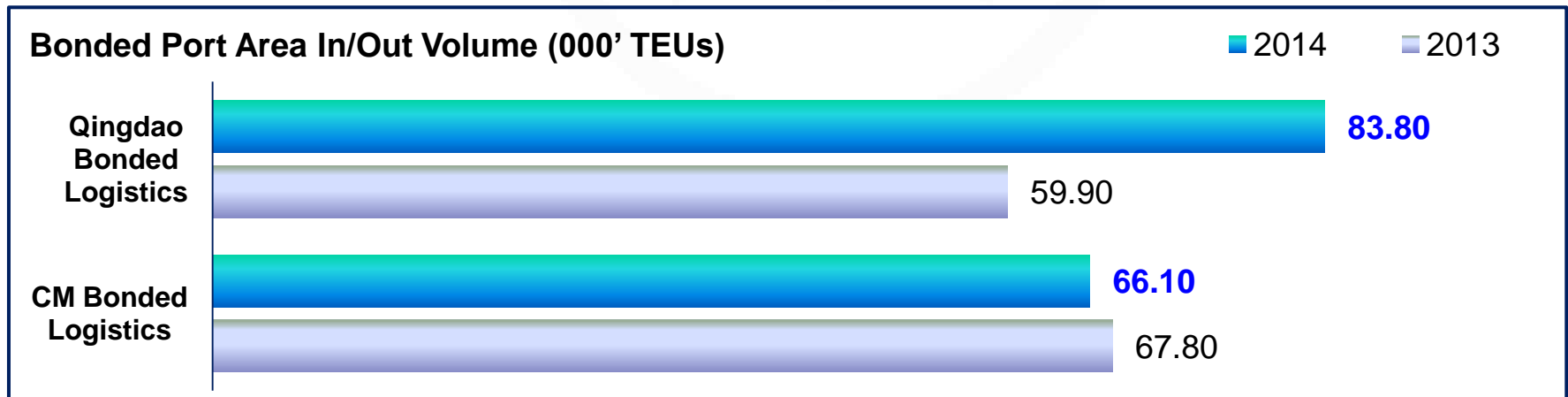
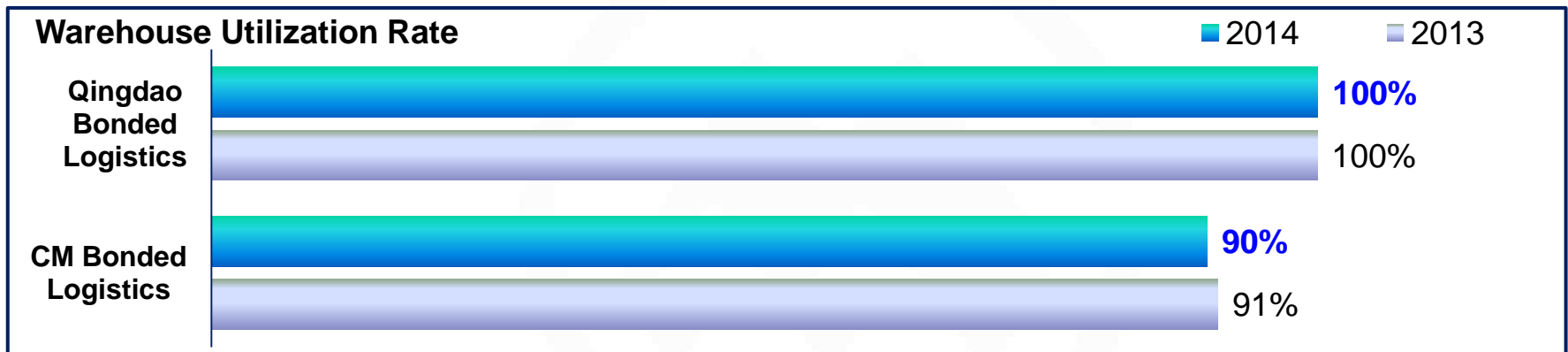
## Outlook

## Q & A

# Business Analysis

## Logistics Operation

- ◆ Warehouse utilization rate for bonded warehouses maintained at a relatively high level, while rapid growth seen in the consolidation/deconsolidation operations of Qingdao





# Performance Highlights

## Business Analysis

- Ports Operation
  - Container Handling Operation
  - Bulk Cargo Handling Operation
- Logistics Operation
- Port-related Manufacturing Operation

## Operations Review

## Outlook

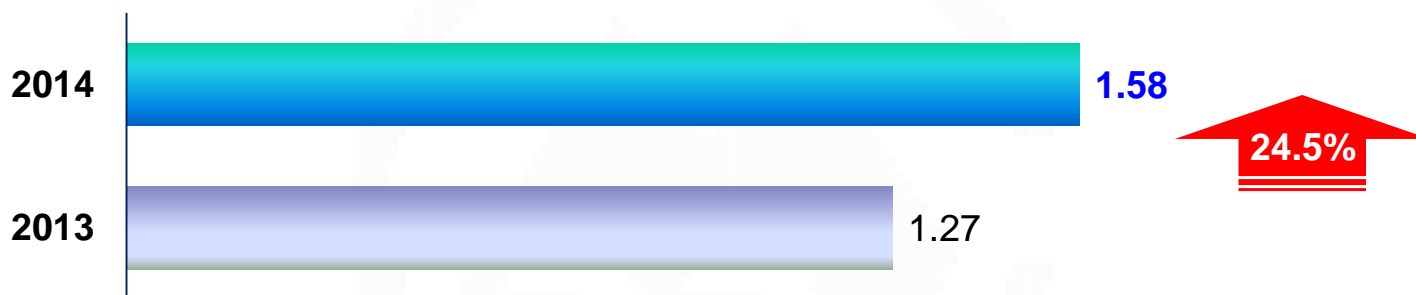
## Q & A

# Business Analysis

## Port-related Manufacturing Operation

- ◆ Sales volume for containers and road transportation vehicles increased steadily

Container Sales Volume (million TEUs)



Road Transportation Vehicles Sales Volume (000' Sets)



**Performance Highlights**

**Business Analysis**

**Operations Review**

**Outlook**

**Q & A**

# Operations Review

## Domestic and International Business Expansion

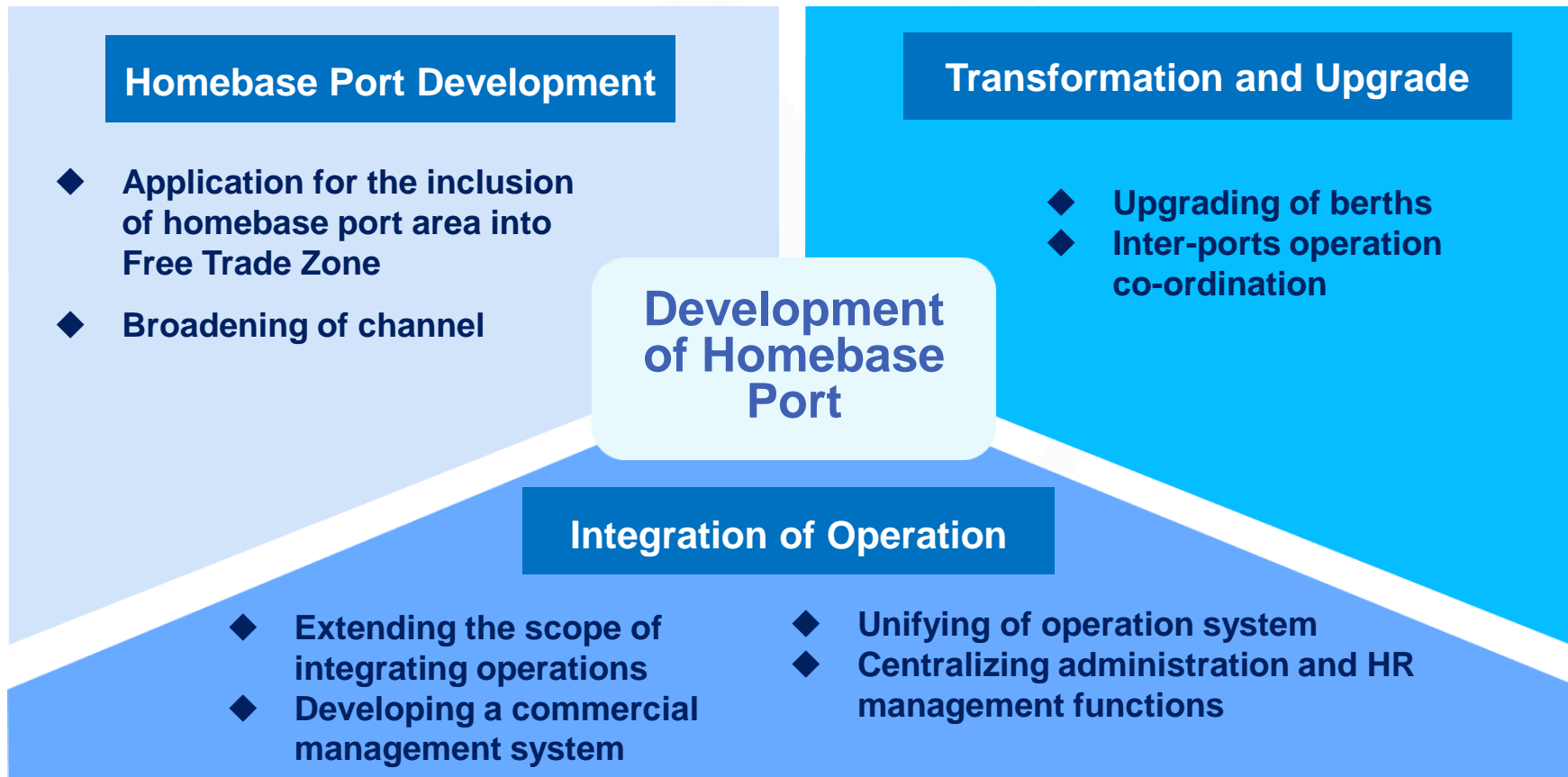
- Mar:** The capital injection into Qingdao Port Dongjiakou Ore Terminal, in which CMHI has a 25% stake, was completed
- Apr:** Construction of CICT in Sri Lanka was completed
- Jun:** Invested in and became the second largest shareholder of Qingdao Port International Co., Ltd.
- Aug:** Construction of Doraleh Multipurpose Port under PDSA in Djibouti commenced
- Oct:** LCT in Togo commenced trial operation



# Operations Review

## Homebase Port Development

- ◆ Development and upgrading of homebase port was on track, contributing to the optimization of resources allocation and enhancement of asset efficiency



# Operations Review

## Innovation Development

- ◆ Creation of new business drivers by encouraging innovation and development

### 1. Technical & Technological Innovation

- ◆ Construct modern port by applying intelligent port system
- ◆ Develop new technologies to enhance efficiency

### 2. Business Model Innovation

- ◆ Encourage innovation in business models, applying information technologies
- ◆ Promote e-commerce, which is guided by “Internet thinking” and out of customer’s demand

### 3. Management Innovation

- ◆ The operation refinement platform went live in 2014, further elevating management quality
- ◆ The project was awarded the First Prize of “Achievement in Modernized and Innovative Management among the Transport Corporations in China”

### Innovation Development

Facilitate business transformation and innovation

Enhance competitiveness of existing ports

Facilitate extension of port network

Nurture new growth drivers

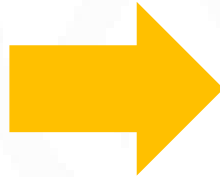
# Operations Review

## Enhancement in Capital Structure

- ◆ **Mandatory Convertible Securities, with a size of \$15.3 billion, was successfully issued**



**Issuance of mandatory convertible securities**



- 1. Improving the capital structure**
- 2. Supporting future business expansion**
- 3. Upgrading of credit ratings**

**Performance Highlights**

**Business Analysis**

**Operations Review**

**Outlook**

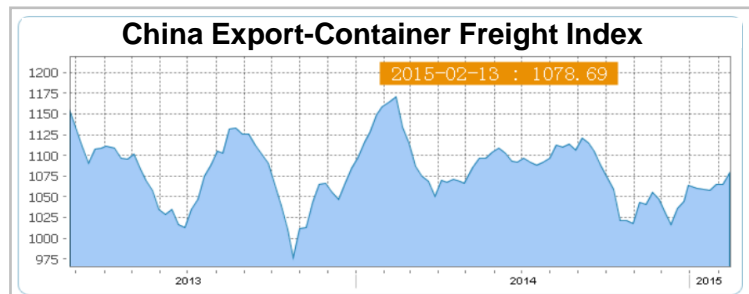
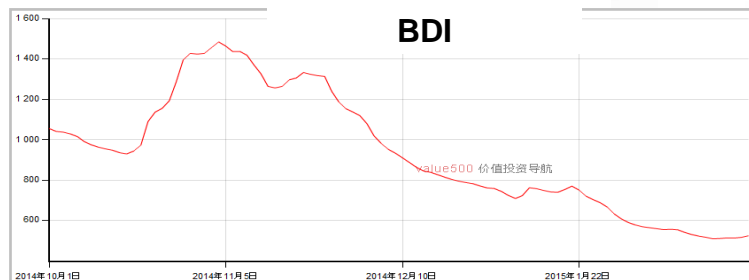
**Q & A**



# Outlook

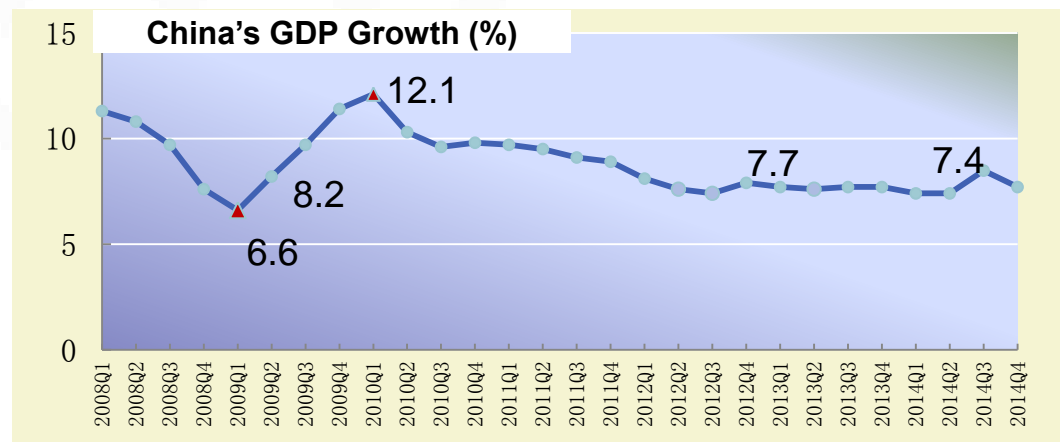
## Global Economic Environment

- ◆ Modest growth in global economy
- ◆ Recovery of International trade velocity
- ◆ Adjustments in China economic structure
- ◆ Intensified integration of international maritime industry



IMF World Economic Outlook Update (20 Jan 2015)

Country/Region	Actual Economic Growth		Forecast Economic Growth		2015 vs 2014
	2013	2014	2015	2016	Change
<b>Global</b>	3.3	3.3	3.5	3.7	0.2
<b>Developed Countries</b>	1.3	1.8	2.4	2.4	0.6
USA	2.2	2.4	3.6	3.3	1.2
Euro Zone	(0.5)	0.8	1.2	1.4	0.4
Japan	1.6	0.1	0.6	0.8	0.5
UK	1.7	2.6	2.7	2.4	0.1
<b>Developing Countries</b>	4.7	4.4	4.3	4.7	(0.1)
ASEAN	5.2	4.5	5.2	5.3	0.7
China	7.8	7.4	6.8	6.3	(0.6)
India	5.0	5.8	6.3	6.5	0.5
Brazil	2.5	0.1	0.3	1.5	0.2
Russia	1.3	0.6	(3.0)	(1.0)	(3.6)
<b>Int'l Trade Volume</b>	3.4	3.1	3.8	5.3	0.7



# Outlook

## Opportunities Offer by “One Belt, One Road”

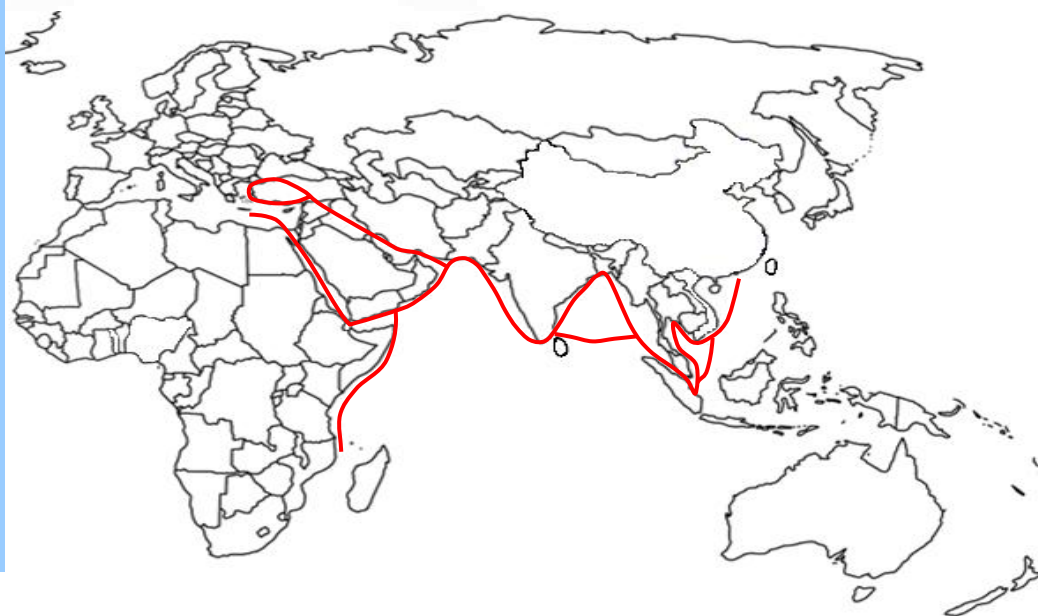
- ◆ “One Belt, One Road” will bring enormous opportunities to CMHI’s overseas strategy

### Opportunities associated with “One Belt, One Road”

- ◆ Opportunities for potential investment and development
- ◆ Facilitates construction of an overseas homebase port
- ◆ Benefis development of an integrated port development model



**Further widen and deepen scope of  
CMHI’s overseas expansion**



*...“One Belt, One Road” refers to the silk road economic belt and the 21st century maritime silk road that covers certain regions in Asia, Europe and Africa, and is a development concept and initiation proposed by China ...*

# Outlook

## Establishment of Guangdong Free Trade Zone

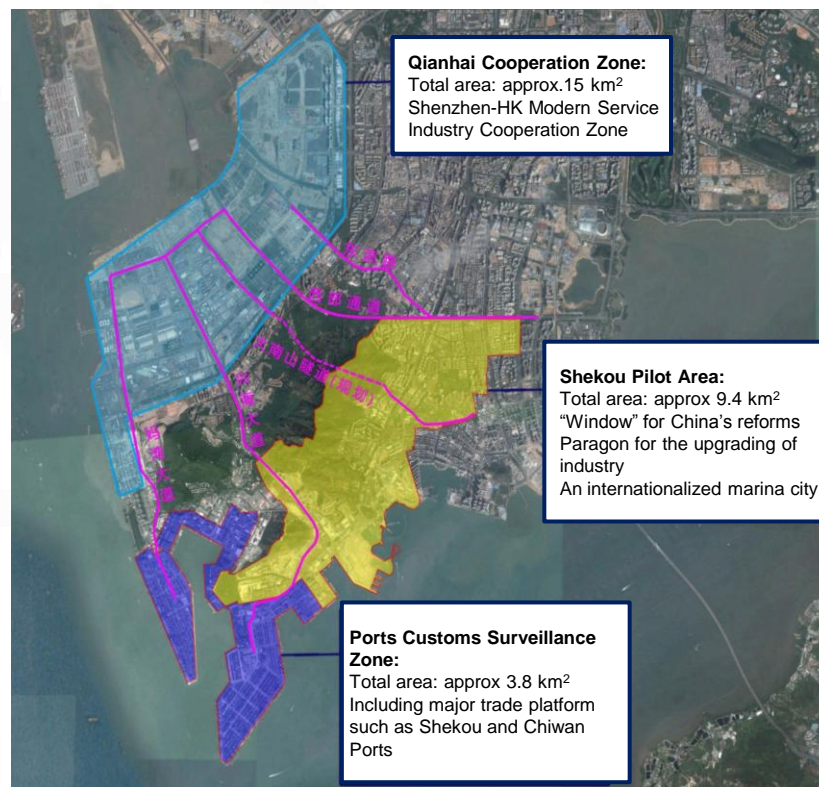
- ◆ Seek to capitalize on the advantages offered by the establishment of Guangdong Free Trade Zone
- ◆ Beneficial to the development of homebase port and promotion of innovation development

*... "Guangdong Free Trade Zone", with a total area of 116 km<sup>2</sup>, covers Qianhai and Shekou in Shenzhen, Nansha in Guangzhou and Hengqin in Zhuhai, within which Shenzhen, where CMHI's homebase port situates, has a total area of 28.2 km<sup>2</sup> ...*

### Opportunities associated with the establishment of Free Trade Zone

- ◆ Favorable in developing innovative business model
- ◆ Beneficial in enhancing the efficiency of the customs process
- ◆ Turning Shenzhen homebase port into a gateway and a key hub along the Maritime Silk Road, that complements the "One Belt, One Road" initiatives

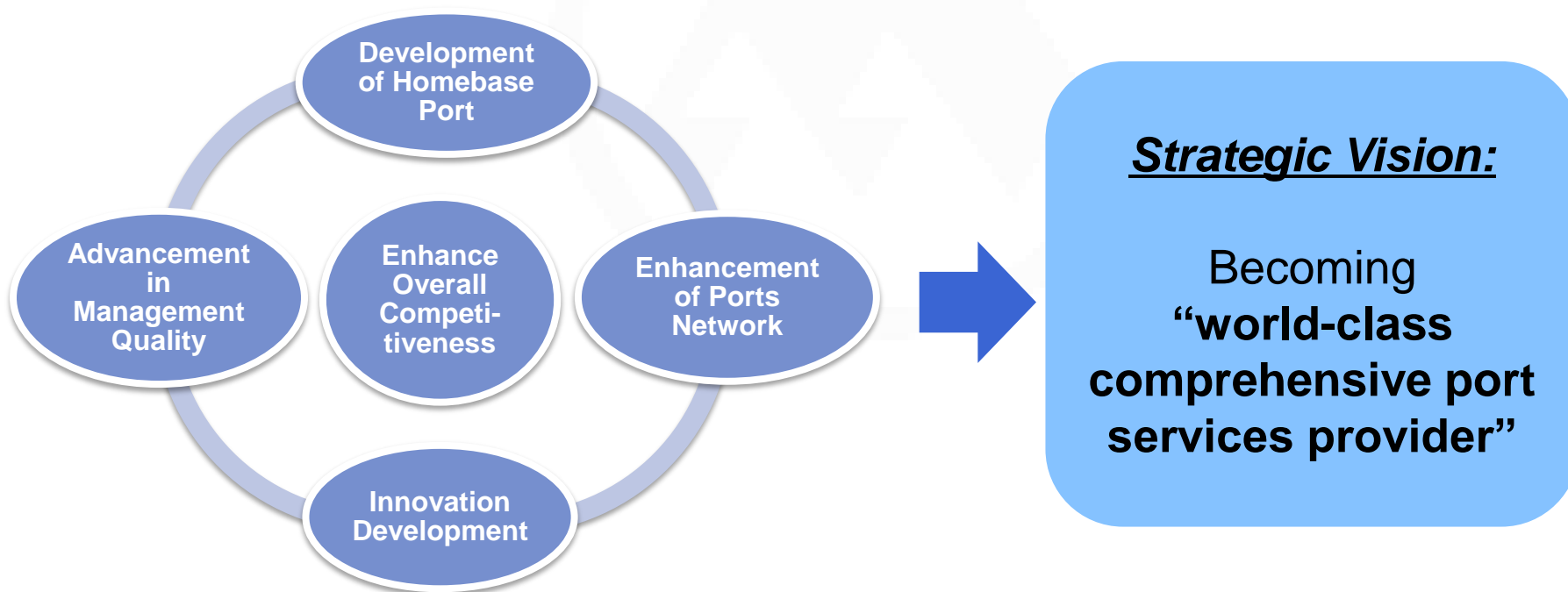
**Building unique competitive edges of the homebase port**



# Outlook

## Strategic Objective & Major Tasks

- ◆ Conducting tasks that adhere to the strategic objectives of becoming a “world-class comprehensive port services provider”
- ◆ Seek to capture the opportunities offered by the policies, while encourage innovative business model through the integration of business operations with internet technologies, and taking into consideration the Group’s assets and capital base
- ◆ With an aim of securing sustainable growth in core operations and financial performance, and in turn CMHI’s overall competitiveness



**Performance Highlights**

**Business Analysis**

**Operations Review**

**Outlook**

**Q & A**

# Q & A



**招商局國際有限公司**  
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.