中遠海運港口有限公司
COSCO SHIPPING Ports Limited

The Ports For ALL

FY2017 Results Press Conference

26 March 2018

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FY2017 Reviews

GLOBALIZATION

FY2017 Highlights

- Total throughput was 100.2mn TEU*, up 5.4% yoy, total equity throughout was 32.0mn, up 8.6% yoy; excluding QPI and QQCT, total throughput increased 13.4% to 87.9mn TEU, equity throughput was 29.7mn, up11% yoy
- Own 48 port companies, operate and manage 269 berths and 35 ports worldwide, of which 179 are for containers with handling capacity of 102.7 mn TEU, and 116.5mn TEU designed capacity
- Completed four investments, namely Noatum, Zeebrugge, Nantong and Wuhan Yangluo; subsidiaries increased to 15 from 10 in FY16
- Stepped up development in terminal extended logistics services
- Adopted unified management and information system to promote the unification of the information systems for terminals
    - Introduced and applied innovative information technologies to optimise the workflow and business operations of various departments through information and electronic means
    - Introduced terminal operating systems from Navis and TSB

* *Included throughput of QPI from May to Dec 2017 and 2016 full year throughput of QQCT was included*

Well positioned to capture growth

Changing landscape of the shipping industry

- Trend of mega vessel → Increasing demand for terminals with modern facilities
- Formation of shipping alliances → Increasing demand for terminal network with modern facilities and subnetworks
- Extended services from upstream and downstream & the connections → Pressing demand for full logistics services

Solid Business model with perfect integrations

Port operator with supports from shipping company

- Decision of investment in port companies links closely with network of routes of shipping companies
- Network of ports and global network not only satisfies demand of shipping alliances but also provides differentiated services to clients of shipping companies
- Upstream and downstream extended services provided by port operator can better serve the shipping companies ' needs of full logistics services

Financial Highlights

US$'mn	FY2017	Change	FY2016	
Revenue	634.7	+14.1%	556.4	
Gross Profit	209.3	+5.1%	199.1	
Share of profit from JV & associates	236.6	+18.1%	200.2	
Operating profit	409.3	+613.5%	57.4	
One-off PAT from QPI Transaction	285.4		-	
- Continuing operations	512.5		180.9	
- Discontinued operation	-		66.1	
Basic EPS (US cents)	16.93		8.3	
Adjusted net profit attributable to shareholders	227.1	+25.5%	180.9	Excluding PAT from one-off exceptional items in FY17 and profit in relation to discontinued container leasing, management and sale business in FY16
Adjusted basic EPS (HK cents)	58.44	+23.9%	47.17	
Dividend per share (HK cents)				
- Interim	10.3	-42.8%	18.0	
- Final	13.1	+67.9%	7.8	
Payout ratio	40%		40%	

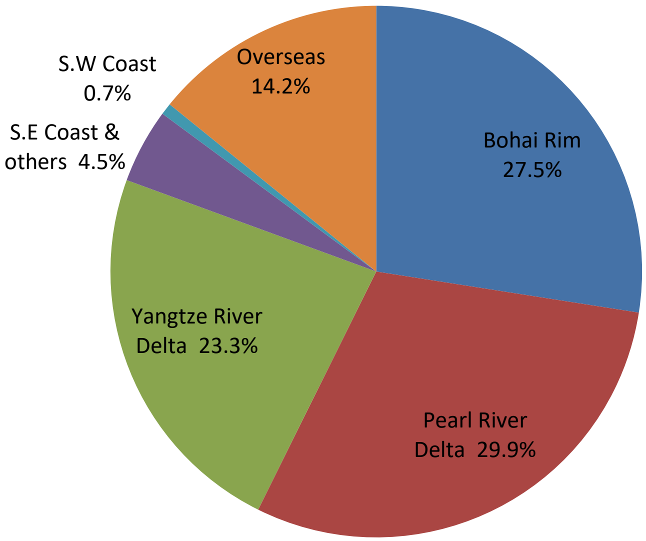
Net profit analysis

US$ mn	FY2017	YoY	FY2016
Terminal profit	295.1	+21.6%	242.4
Adjusted net profit*	227.1	+25.5%	180.9

Top 10 profit contributors

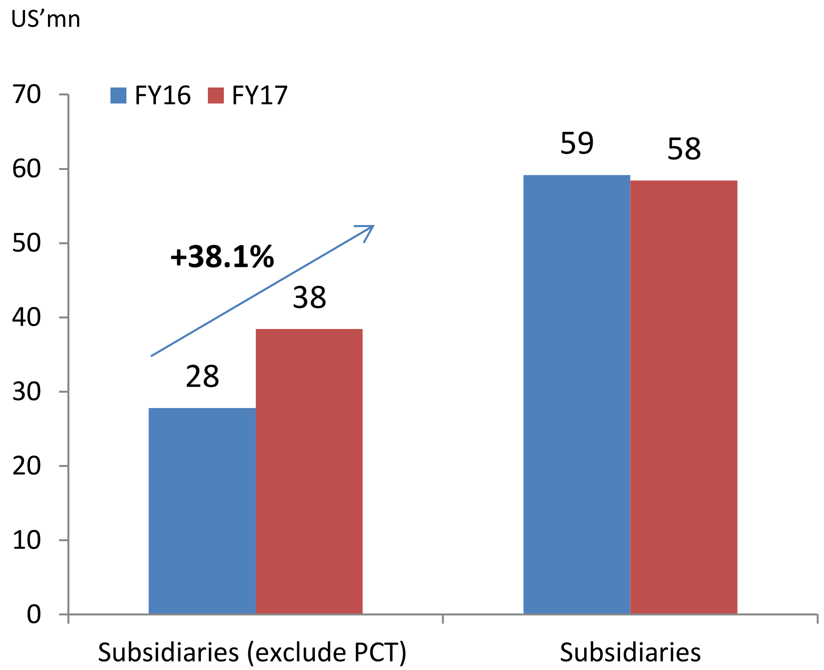
	FY17		FY16
QPI	18.3%	Yantian	21.1%
Yantian	17.4%	QQCT	20.0%
Shanghai Pudong	7.8%	PCT	12.9%
Shanghai Mingdong	7.1%	Shanghai Pudong	8.5%
PCT	6.8%	Shanghai Mingdong	8.0%
Guangzhou Nansha	5.2%	Guangzhou Nansha	5.1%
Kumport	4.3%	Hong Kong	5.4%
Hong Kong	5.1%	Ningbo Yuan Dong	3.1%
Ningbo Yuan Dong	3.0%	Quanzhou	3.1%
Quanzhou	2.7%	Lianyungang	2.3%
	77.6%		89.4%

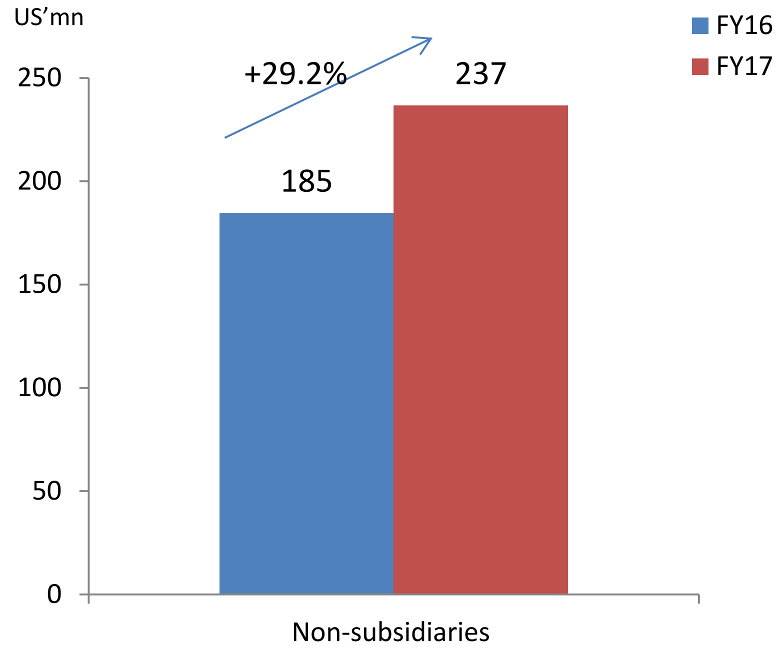
FY17 Terminal profit by regions



* Excluding profit after tax from one-off exceptional items in FY17 and profit in relation to discontinued container leasing, management and sale business in FY16

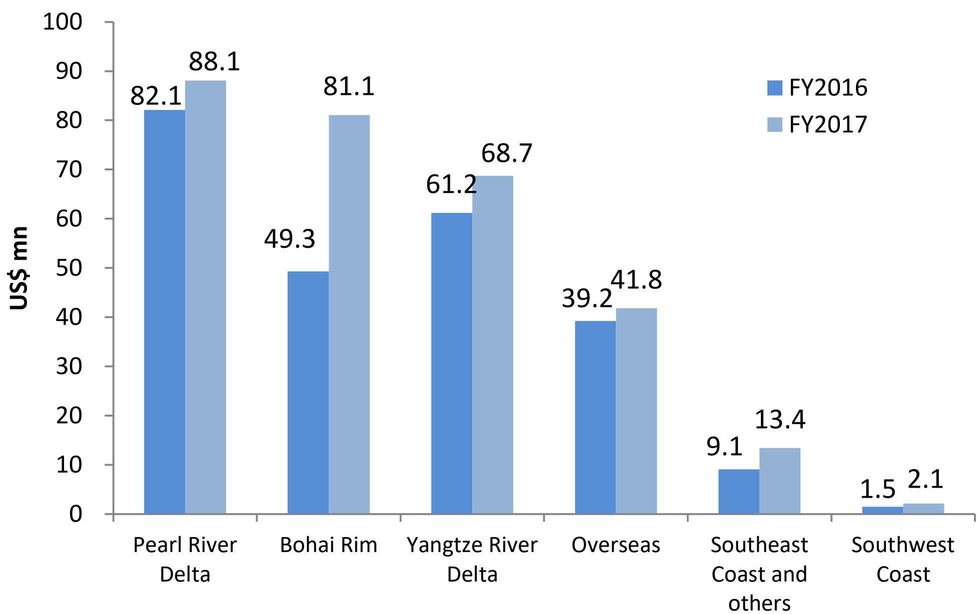
Terminal profit analysis –
Increasing contributions from subsidiaries





- **Terminal profit of subsidiaries, exclude PCT, increased 38.1% yoy**
- **Terminal profit of non-subsidiaries increased 29.2% yoy**
- Higher depreciation, amortization and outsources stevedoring expenses, as well as the payment of fee for the use of land and shoreline of the eastern part of Pier 3 in 1H17, negatively impacted the performance of PCT in FY17, we expect the costs of PCT will be lower in FY18 compared with FY17

Terminal profit by regions

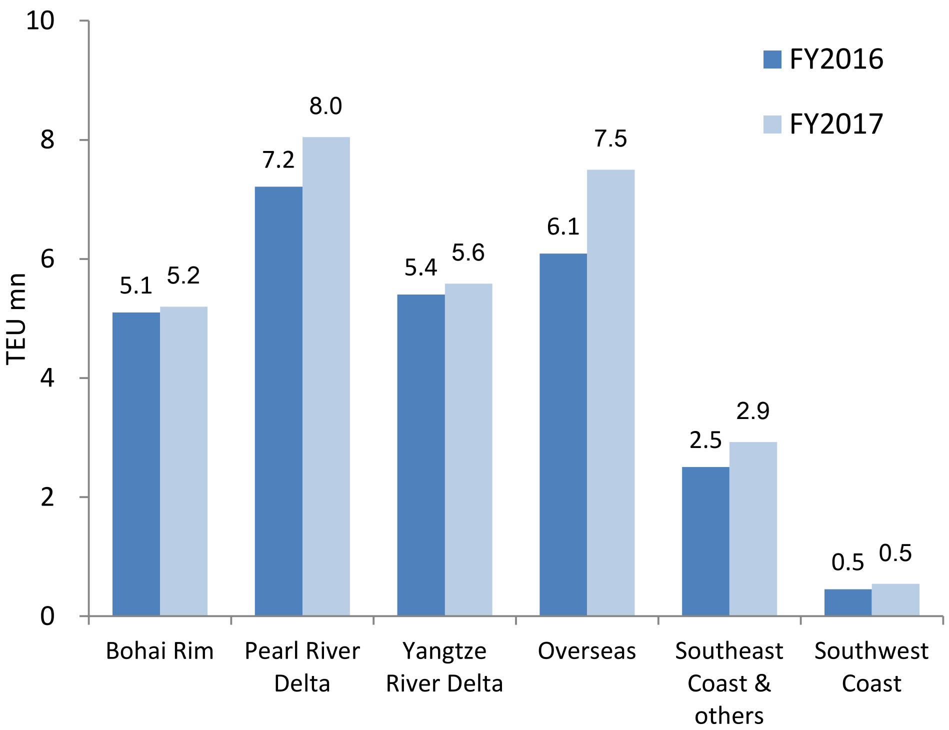


US$ mn	FY2017	YoY %*	% of total
Pearl River Delta	88.1	*+7.4*	*29.9%*
Bohai Rim*	81.1	*+64.3*	*27.5%*
Yangtze River Delta	68.7	*+12.2*	*23.3%*
Southeast Coast and others	13.4	*+47.1*	*4.5%*
Southwest Coast	2.1	*+42.0*	*0.7%*
Overseas terminal**	41.8	*+6.7*	*14.2%*
Total	**295.1**	***21.8%***	*100%*

**Provision impairment amounted to US19.8mn on Qinhuangdao in FY16*
***Net profit of Noatum and Vado were included since 2017*

- Profit from Pearl River Delta region increased 7.4% on higher contribution from Nansha mainly driven by the increased calls from OCEAN Alliance and enhanced efficiency from co-management
- Profit from Bohai Rim region increased by 64.3% mainly due to contribution from QPI
- Profit from Yangtze River Delta region up12.2% yoy, mainly contributed by Ningbo Yuan Dong and Shanghai Pudong

Equity throughput on the rise

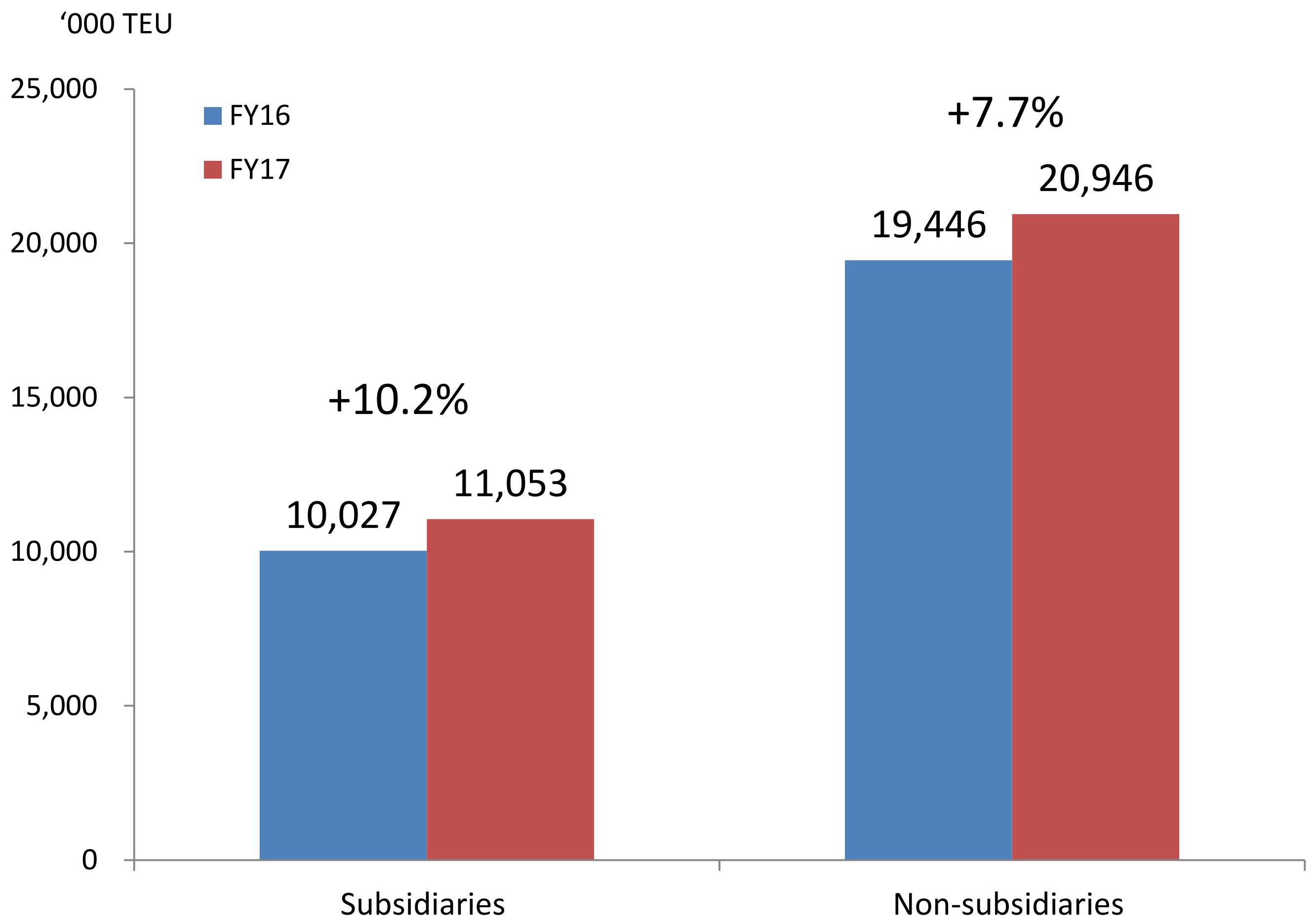


TEU mn	FY2017	YoY %	% of total
Bohai Rim*	5.2	*+1.1*	*17.4%*
Pearl River Delta	8.0	*+11.6*	*27.1%*
Yangtze River Delta	5.6	*+3.4*	*18.8%*
Southeast Coast and others	2.9	*+16.8*	*9.8%*
Southwest Coast	0.5	*+19.2*	*1.8%*
Overseas **	7.5	*+22.3*	*25.1%*
Total	**29.7**	***+11.5***	***100.0%***

** Excluded QQCT's throughput in 2016 and QPI's throughput from May to Dec 2017*
***Throughput of Noatum and Vado were included since 2017*

- Growth in 2017 throughput of terminals was driven by increased calls from Ocean Alliance, contributions from Vado and Noatum
- Increased support from OCEAN Alliance and parent company especially in Xiamen, Nansha and PCT

Analysis of equity throughput



Throughput growth vs the market

Total throughput 000'TEU	COSCO SHIPPING Ports			Total throughout of the region		
	FY 2017	YoY %	FY2016	FY2017	YoY %	FY2016
Bohai Rim*	15,975	+5.7%	15,113	62,843	+5.2%	59,761
Yangtze River Delta	19,631	+6.1%	18,508	71,844	+9.7%	65,465
Southeast Coast and others	5,080	+12.1%	4,533	15,671	+8.8%	14,401
Pearl River Delta	27,049	+9.5%	24,697	50,672	+7.5%	47,137
Southwest Coast	1,357	+19.2%	1,138	4,602	+17.4%	3,920

** Not include QPI's throughput from May-Dec 2017 and QQCT's 2016 full year throughput*

Source: Chinese Port (中國港口網)

Remained financially prudent

US$mn	As of 31 Dec 2017	YoY	As of 31 Dec 2016
Total debt	2,334	+55.3%	1,503
Average cost of debt %	3.22	-0.15pp	3.37
Cash on hand	566.4	-32.3%	837.1
Net debt to equity	30.2%		14.0%
Interest coverage	12.5x		5.9x
Net asset	5,845	+22.7%	4,766
Total assets	8,954	+31.9%	6,786

We adopted a disciplined investment strategy, every investment we made has aligned with our overall development plan,

- In choosing overseas investment, we will consider whether the project align with our strategy of building a global terminal network that can provide linkage effects on costs, services and synergies
- As for the investment at home, we will consider whether it will help maximize our values in the China market and enhance our profitability, the investment in QPI is a good example

The Five Year Plan - key milestones in FY2017

SYNERGY

Further enhance synergies

- In 2017, Ocean Alliance continued to increase calls at our terminals; more contributions from Ocean Alliance are expected in 2018
- Further enhanced synergies with parent company, throughput contributions from parent company continued to increase

Subsidiaries	Contributions from Ocean Alliance as % of total throughput in FY2017	Compared with FY2016
PCT	66.4%	+25.8%
Xiamen	79.7%	+136.0%
Nansha	32.2%	+53.5%
Lianyungang	59.0%	+30.1%

	Contributions from Parent company as % of Total throughput in FY2017	Compared with FY2016
Subsidiaries	23.3%	+41.2%
Major non-subsidiaries (PSA, Euromax, Hong Kong , Antwerp)	41.7%	+41.3%
Other non-subsidiaries	26.0%	+4.9%

Strategic partnerships to maximize synergies

Continue to establish close partnerships and good relationships with port groups, terminal operators and international liner companies to further maximize synergies

- Formed strategic partnership with QPI in developing overseas businesses; with both parties' professional operations, management and executions, we expect to achieve more success; QPI's investing in our CSP AD Ports is a concrete step of our partnership

- Signed MOU in Jan 2017 with CMA CGM Group to strengthen the cooperation between both parties in the field of global port investment and operations

- Signed a strategic cooperation agreement with China Gezhouba Group International Engineering Co., Ltd. in May open a new chapter in the field of investment, construction and logistics for global ports

- Partner with Wuhan Iron and Steel in Wuhan Yangluo project signify a joint effort of two big players

- In additions, strategic alliances will be formed with China Communications Construction and China Railway

Global footprint further extended

Dedicated to building a global terminal network with linkage effects in costs, services and synergies

- Acquired 51% stake in Noatum
- Increased stake in Zeebrugge and made it the second overseas wholly-owned terminal following PCT

Maximizing value in China market

- Strategic investment in QPI to enjoy the growth of the whole port, QPI was the biggest contributor of terminal profit in FY17 and made up 18.3% of the total
  - This new model of strategic investment in port authority acts as a significant reference for our future deployment of resources in local market

- Investment in Nantong and Wuhan Yangluo to seize the development opportunities in the Yangtze River Economic Belt

- Integrations of existing terminals to enhance competitiveness and profitability
  - Guangzhou Nansha and Guangzhou South Oceangate under same management
  - Yingkou terminals under same management
  - Merged of DCT, DPCT and DICT
  - Co-management of Hong Kong terminals

Diversifying to terminal-related logistics business

- Diversifying business into terminal-related logistics businesses to
  - optimize full development potential of entire port districts
  - further penetrate the business chain
  - build economies of scale
  - enhance operational efficiency, competitiveness and profitability
- Stepped up development pace in FY17
  - Obtained the rights from Nantong Municipal Government to use the 5,412mu of land outside Nantong Tonghai Terminal to develop a logistics park
  - Partnered with Wuhan Iron and Steel (Group) Corporation to develop a 700mu transportation centre with full logistics services in Wuhan Yangluo
  - Signed a leasing agreement with Abu Dhabi Ports Company for the development of a 270,000m^2 container freight station outside CSP AD Ports
- More concrete developments will be achieved in 2018

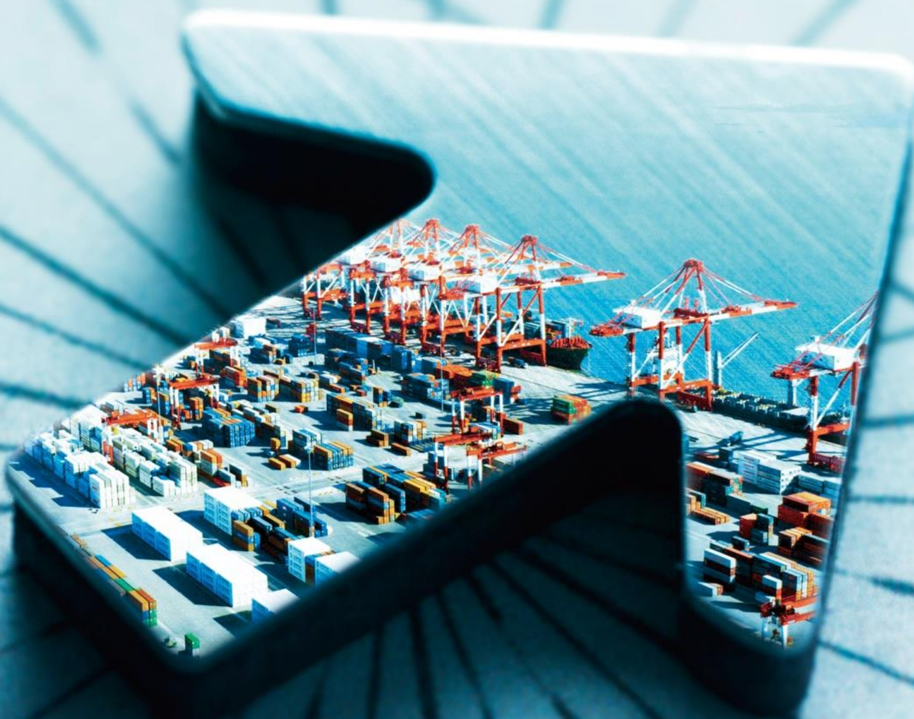
Continue to enhance efficiencies

The Group is committed to optimising terminal assets and enhancing the terminal operational efficiency

- Signed subscription agreements with Navis and TSB for their terminal operating systems
- Adopted a unified management and information system to promote the unification of the information systems for terminals, the headquarters of the Company can examine the operation status of each of its terminals in real time and regularly quantify the business performance with unified performance indicators
- Introduced and applied innovative information technologies to optimise the workflow and business operations of various departments through information and electronic means
- Formulated standardised and unified operational standards for core processes such as gate management, yard operations and front-line terminal operations

- Productivity of our terminals was further enhanced in FY17
  - Total bridge efficiency of our subsidiaries continued to improve, e.g. PCT and Jinjiang Pacific increased by 9.7% and 14% respectively compared with FY16

CONTROL



Our responses to market challenges

The Five Year Plan

Our responses to market challenges

- Growth to be driven by volume
- Diversify business to terminal extended logistics services
- Formation of a global terminal network that has linkage effects on costs, services & synergies

Limited chance for tariff hike

- Limited impact as only two terminals of us handle containers for transpacific routes
- Increase business from other shipping routes

Sino-US Trade War

Trade protectionism

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