Stock Code: 001872/201872 Stock Name: CM Port Group, CM Port Group B Announcement No. 2019-025

CHINA MERCHANTS PORT GROUP CO., LTD.

ANNUAL REPORT 2018 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 2018 Annual Report of China Merchants Port Group Co., Ltd. (hereinafter referred to as the "Company"). In order for a full understanding of the Company's operating results, financial position and future development plans, investors should carefully read the aforesaid full text on the media designated by the China Securities Regulatory Commission (the "CSRC").

Except for the following directors, all the other directors attended in person the Board meeting for the review of this Report and its summary.

Name	Office title	Reason for not attending the meeting in person	Proxy entrusted to attend the meeting
Deng Renjie	Director	Other company affairs	Bai Jingtao
Song Dexing	Director	Other company affairs	Bai Jingtao

Independent auditor's modified opinion:

□ Applicable √ Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders for the Reporting Period:

√ Applicable □ Not applicable

Bonus issue from capital reserves:

□ Yes √ No

The Board has approved a final dividend plan as follows: based on the Company's total shares of 1,793,412,378, a cash dividend of RMB1.14 (tax inclusive) per 10 shares is to be distributed to shareholders, with no bonus issue from either profit or capital reserves.

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period :

□ Applicable √ Not applicable

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

Part II Key Corporate Information

1. Stock Profile

Stock name	CM Port Group, CM Port Group B	Stock code	001872, 201872
Stock exchange for stock listing	Shenzhen Stock Exchange		
Stock name before the change	Chiwan Wharf A, Chiwan Wharf B		
Contact information	Board Secretary	Securities Representative	
Name	Huang Chuanjing	Hu Jingjing and Chen Dan	
Address	24/F, China Merchants Port Plaza, 1 Gongye 3rd Road, Zhaoshang Street, Nanshan, Shenzhen, PRC		
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Email address	Cmpir@cmhk.com	Cmpir@cmhk.com	

2. Main business of the Company during the reporting period

(1) Main business scope and business models

The Company is principally engaged in the handling, warehousing and transportation of containers and bulk cargoes, as well as the provision of other ancillary services. It principally operates 24 container berths and 15 bulk cargo berths in the ports in West Shenzhen, 9 multi-purpose berths, 2 container berths, 2 bulk cargo berths and a berth for roll-on-roll-off vessels in Shantou Port, 4 multi-purpose berths in Shunde Port, 2 container berths and 6 bulk cargo berths in Zhangzhou Port, Xiamen, 3 container berths in Port of Colombo, Sri Lanka, 4 multi-purpose berths, 2 oil berths and 4 container berths in Hambantota Port, 3 container berths in Port of Lomé, Togo, and 3 container berths in Paranaguá Port, Brazil. Moreover, the Company invests in container hubs in Shanghai and Ningbo and expands its layout to ports in South Asia, Africa, Europe, South America and Oceania.

The major business segments of China Merchants Port Group Co., Ltd. are as follows:

Business segments	Applications
Cargo handling and	Container handling and warehousing: the Company provides ship berthing, loading and unloading services to ship companies, offers container storage service to ship companies

warehousing	and cargo owners and provides overhead box services to tractor companies. The Company also engages in the businesses of division or merger of cargoes in containers, container leasing and container maintenance; Bulk cargo handling and warehousing: the Company is engaged in bulk cargo handling and transportation in port zones, as well as storage services in yards. The major types of cargoes handled include food, steel, woods and sandstones.
Ancillary port-related services	The ancillary port-related services of the Company mainly include tugboat berthing assistance and barge services at the arrival of ships to the ports, tallying in the course of cargo handling, and supply of shore power and freshwater for vessels.
Bonded logistics operations	The Company provides various services for clients (including logistics companies, trading companies or cargo owners), for example, warehouse/yard leasing, loading and unloading in warehouses/yards, customs clearance and division or merger of cargoes at terminals. It also provides documentation services for tractors arriving or leaving the bonded logistics parks.

(2) Development stage and cyclical characteristic of the industry in which the Company operates and its industry position during the reporting period

The port industry is a crucial cornerstone for national economic and social progress, and is closely linked to global economic and trade development. In 2018, the global economy maintained its growth in general. Nonetheless, the Company faced challenges arising from the divergence in recovery between various countries, trade frictions aggravated by trade protectionism, restructuring of global trade pattern, the slowdown in growth of global container shipping, the downshift of domestic port business, intensifying market competition, severe competition for investment in emerging markets overseas, technology advancement in the port and shipping industry and evolving business models.

In light of the increasing uncertainty in the global economic and trade environment, the growth of global container throughput slowed down in 2018. According to the statistics of Clarkson Research Services Limited, a maritime consulting firm, the global container throughput for coastal ports amounted to 201 million TEUs in 2018, representing a year-on-year increase of 4.46%, which was down 0.66 percentage points as compared with 2017. Growing uncertainties in global trade development and rising fuel costs in general reduced the profitability of shipping companies. The performance of different shipping routes varied. The shipping volume of Asia-Europe routes decreased slightly due to the sluggish economies in the United Kingdom and other European countries. The Sino-US trade friction resulted in cargo delivery before schedule and supported the rapid growth of shipping volume of Trans-Pacific routes at 5.88%. Driven by booming economic development in emerging Asian economies, the shipping volume of routes in the region maintained a relatively remarkable year-on-year increase of 6.45%. With concentrated delivery of large vessels, the average scale of single ship expanded continuously. While Asia-Europe routes were dominated by the three largest shipping alliances, the container feeder market saw development opportunities.

The growth rate of global port container throughput declined in 2018. According to the statistics of Drewry Shipping Consultants Ltd., a maritime consulting firm, the global container port throughput amounted to 7.86

billion TEUs in 2018, up 5.3% year-on-year, while the growth rate decreased by 1.2percentage points as compared with 2017. In terms of market share by container throughput, the top 3 regions in order are China (including Hong Kong), Europe and Southeast Asia, and the top 3 fastest growing regions in order are South Asia, Southeast Asia and Oceania. The growth rate of PRC container port throughput decreased and the development of different ports varied. According to the statistics from National Bureau of Statistics of China, the container throughput handled by PRC ports of significant scale was 249.55 million TEUs in 2018, representing a growth of 5.2% compared with the same period last year , growing slower than the same period in 2017.

The Company is the largest global leading port developer, investor and operator in the PRC, with a comprehensive port network at major hub locations along coastal China. It has also established presence in South Asia, Africa, Europe, Mediterranean, Oceania and South America. By its proactive, sound and efficient operating style, the Company capitalises on its global port portfolio, professional management experience, the self-developed state-of-the-art terminal operation system and integrated logistics management platform for exports and imports, thereby providing its customers with timely and efficient port and maritime logistics services along with comprehensive and modern integrated logistics solutions. In addition, the Company also invests in bonded logistics operation and launches integrated park development business for the extension of the port value chain, which allows it to create greater value through the synergies of the existing terminal network.

3. Key Financial Information

(1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

√ Yes □ No

The retrospective restatements in the table below are caused by changes to the accounting policies and a business combination under common control. For further information, please refer to “VI YoY Changes to Accounting Policies, Estimates and Methods” and “VIII YoY Changes to the Scope of the Consolidated Financial Statements” under “Part V Significant Events” in this Report.

	2018		2017		2018-over-2017 change	2016	
	Original	Restated	Original	Restated	Restated	Original	Restated
Operating revenue (RMB)	2, 274, 934, 530. 82	9, 703, 394, 622. 58	2, 456, 218, 834. 63	7, 544, 635, 284. 96	28. 61%	2, 381, 483, 399. 94	6, 828, 528, 929. 02
Net profit attributable to the listed company’s shareholders (RMB)	403, 711, 043. 83	1, 090, 418, 910. 77	504, 495, 064. 39	2, 365, 214, 907. 45	-53. 90%	532, 376, 492. 97	2, 041, 683, 125. 35
Net profit attributable to the listed	510, 911, 565. 95	516, 155, 803. 81	497, 361, 340. 01	498, 373, 377. 67	3. 57%	529, 198, 593. 98	526, 660, 998. 71

company's shareholders before exceptional items (RMB)							
Net cash generated from/used in operating activities (RMB)	737,784,730.57	4,288,575,424.84	1,162,281,754.31	3,475,037,036.28	23.41%	1,121,032,625.07	3,049,363,117.24
Basic earnings per share (RMB/share)	0.63	0.61	0.782	1.32	-53.79%	0.826	1.14
Diluted earnings per share (RMB/share)	0.63	0.61	0.782	1.32	-53.79%	0.826	1.14
Weighted average return on equity (%)	8.82%	3.88%	10.45%	10.24%	-6.36%	11.57%	9.21%
	31 December 2018		31 December 2017		Change of 31 December 2018 over 31 December 2017	31 December 2016	
	Original	Restated	Original	Restated	Restated	Original	Restated
Total assets (RMB)	8,036,053,848.17	128,018,084,415.68	7,975,470,563.32	109,135,164,260.01	17.30%	7,792,570,272.01	91,437,459,066.10
Equity attributable to the listed company's shareholders (RMB)	4,831,911,547.56	30,760,475,412.93	4,922,969,405.92	28,474,748,165.25	8.03%	4,736,680,543.81	22,680,840,458.42

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	2,172,750,441.44	2,499,587,599.28	2,589,330,353.39	2,441,726,228.47
Net profit attributable to the listed company's shareholders	381,903,088.64	238,135,317.01	276,846,536.50	193,533,968.62
Net profit attributable to the listed company's shareholders before exceptional items	129,600,674.09	187,764,097.52	135,978,133.47	62,812,898.73
Net cash generated from/used in operating activities	488,161,711.35	1,312,573,007.36	1,315,345,336.41	1,172,495,369.72

The quarterly financial data in the table above or their summations differ from what have been disclosed in the Company's Q1, interim and Q3 reports, primarily because the financial data in those reports have been restated due to a business combination under common control.

4. Share Capital and Shareholder Information at the Period-End

(1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders at the period-end	35,642 (including 24,924 A-shareholders, and 10,718 B-shareholders)	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	35,972 (including 25,184 A-shareholders, and 10,788 B-shareholders)	Number of preferred shareholders with resumed voting rights at the period-end (if any)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any)	0

5% or greater shareholders or top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Pledged or frozen shares
CHINA MERCHANTS INVESTMENT DEVELOPMENT COMPANY LIMITED	Foreign legal person	64.05%	1,148,648,648	1,148,648,648	1,148,648,648	0	0
CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	Domestic general legal person	20.68%	370,878,000	370,878,000	0	370,878,000	0
BROADFORD GLOBAL LIMITED	Foreign legal person	3.08%	55,314,208	55,314,208	0	55,314,208	0
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign legal person	2.42%	43,445,204	-4,469,750	0	43,445,204	Unknown
NORGES BANK	Foreign legal person	0.16%	2,802,863	0	0	2,802,863	Unknown
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned legal person	0.15%	2,641,020	514,998	0	2,641,020	Unknown
MAI SHUQING	Domestic natural person	0.13%	2,361,047	122,700	0	2,361,047	Unknown
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.12%	2,229,700	-387,818	0	2,229,700	Unknown
CHINA CONSTRUCTION	Fund, wealth management	0.08%	1,495,654	735,993	0	1,495,654	Unknown

BANK—INVESCO GREAT WALL QUANTITATIVE AND SELECTED STOCK SECURITIES INVESTMENT FUNDS	instrument, etc.						
CANADA POST CORPORATION REGISTERED PENSION PLAN	Foreign legal person	0.08%	1,446,906	-132,190	0	1,446,906	Unknown
Strategic investors or general legal person becoming top-ten shareholders due to placing of new shares (if any)	N/A						
Related or acting-in-concert parties among the shareholders above	China Merchants Gangtong Development (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Broadford Global Limited, and Broadford Global Limited is the controlling shareholder of China Merchants Investment Development Company Limited. The Company does not know whether the other unrestricted shareholders are related parties or not.						

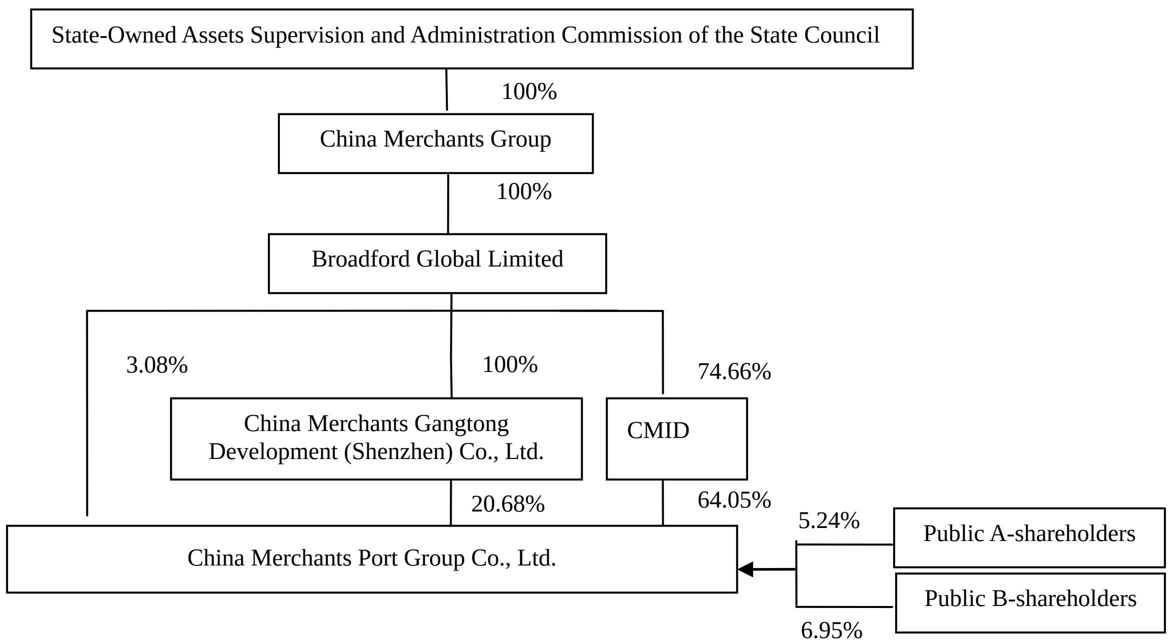
Top 10 unrestricted shareholders			
Name of shareholder	Unrestricted shares held at the period-end	Shares by type	
		Type	Shares
CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	370,878,000	A share	370,878,000
BROADFORD GLOBAL LIMITED	55,314,208	B share	55,314,208
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	43,445,204	B share	43,445,204
NORGES BANK	2,802,863	B share	2,802,863
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	2,641,020	B share	2,641,020
MAI SHUQING	2,361,047	A share	2,361,047
VANGUARD EMERGING MARKETS STOCK INDEX FUND	2,229,700	B share	2,229,700
CHINA CONSTRUCTION BANK—INVESCO GREAT WALL QUANTITATIVE AND SELECTED STOCK SECURITIES INVESTMENT FUNDS	1,495,654	A share	1,495,654
CANADA POST CORPORATION REGISTERED PENSION PLAN	1,446,906	B share	1,446,906
CHEN ZEHONG	1,240,000	A share	1,240,000
Related or acting-in-concert parties among the top ten unrestricted public shareholders and between the top ten unrestricted public shareholders and the top ten shareholders	China Merchants Gangtong Development (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Broadford Global Limited. The Company does not know whether the other unrestricted shareholders are related parties or not.		

Top ten ordinary shareholders conducting securities margin trading (if any)	N/A

(2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

No preferred shareholders in the Reporting Period.

(3) Ownership and Control Relations between the Actual Controller and the Company



5. Corporate Bonds

□ Applicable √ Not applicable

Part III Operating Performance Discussion and Analysis

Is the Company subject to any industry-specific disclosure requirements?

No.

1.Performance Discussion and Analysis

(1) External Environment Analysis

In 2018, the global economy continued to grow at a moderate pace. However, the growth rates of major economies have almost peaked while certain emerging markets and countries were facing financial instability, demonstrating intensified uneven growth trend among different economies. Currently, with the setback in multilateral trading system, the landscape of international trade is restructuring, which has facilitated rapid development of regional trade agreements. According to the latest "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2019, the global economic growth rate of 2018 was expected to be 3.7%, down by 0.1 percentage point as compared to 3.8% in 2017, among which, developed economies grew at 2.3%, down by 0.1 percentage point as compared to that of 2017, while emerging markets and developing economies grew at 4.6%, respectively, down by 0.1 percentage point as compared to that of 2017. Total global trade volume (including goods and services) grew by 4.0%, representing a decrease of 1.3 percentage points as compared to that of 2017.

In 2018, China’s economic growth was 6.6%, representing a decrease of 0.2 percentage point over 2017. Despite the complicated international environment, China insisted on pursuing progress while maintaining stability and the overall economic development remained stable within a reasonable range. While strenuously promoting the supply-side structural reform, the PRC government continued to innovate and improve its macroeconomic control policies, striving to cultivate and develop innovative industries. The Chinese economy has shifted from the rapid growth phase to quality development phase with the driving force of innovation further increased and the upgrade and development of consumption and industry structures progressed at a faster pace. Amid the overall global trade growth, according to the statistics of the General Administration of Customs, China’s total foreign trade import and export value amounted to RMB30.51 trillion in 2018, representing a year-on-year increase of 9.7%, among which the total export value was RMB16.42 trillion, indicating a 7.1% year-on-year increase, while total import value was RMB14.09 trillion, reflecting a year-on-year increase of 12.9%. In particular, the potential of trade cooperation between China and those countries along the “Belt and Road” initiative is unleashing, leading to an increase in import and export value of 13.3%, which is higher than the overall growth rate.

Driven by the growth in global economy and trade, the global port business generally showed moderate growth in 2018; and the growth rate of port business in China remained steady since the first quarter. According to the data published by National Bureau of Statistics of China, the container throughput handled by Chinese ports of significant scale totalled 250 million TEUs in 2018, representing an increase of 5.2% year-on-year.

(2) Port Business Review

In 2018, the Company’s ports handled a total container throughput of 109.73 million TEUs, up by 6.6% year-on-year, among which the ports in Mainland China contributed container throughput of 81.39 million TEUs, indicating an increase of 5.5% year-on-year, which was mainly driven by steady recovery of the Mainland China’s economy and improvement of import and export trade. The Company’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 the same period last year. Benefited from the rapid growth of the ports operation of CICT in Sri Lanka, LCT in Togo and Kumport in Turkey, a total container throughput handled by the Company’s overseas ports grew by 12.9% year-on-year to 20.66 million TEUs. Bulk cargo volume handled by the Group’s ports increased by 1.5% year-on-year to 504 million tonnes, of which the Group’s ports in Mainland China handled a total bulk cargo volume of 530 million tonnes, representing an increase of 1.6% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group’s terminals in West Shenzhen Port Zone handled a container throughput of 11.35 million TEUs, up by 1.5% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.17 million TEUs, down by 13.3% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 18.03 million tonnes, down by 17.3% year-on-year, mainly due to the decrease in business volume as a result of the upgrade and renovation project of Haixing Port. With further release of production capacity, Dongguan Machong Terminal handled bulk cargo volume of 13.23 million tonnes during the period, representing an increase of 3.4% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. (“**SIPG**”) handled a container throughput of 42.01 million TEUs, up by 4.4% year-on-year, which was mainly driven by the increase in number of shipping routes due to reorganisation of shipping companies’ alliances, and the release of production capacity from the commencement of operation of phase IV of SIPG’s fully automated port in Yangshan since December 2017. Bulk cargo volume handled during the year decreased by 8.3% year-on-year to 150 million tonnes, mainly attributed to the decrease in coal unloaded amount after adjustments made against the structure of bulk cargo source by SIPG. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.16 million TEUs, representing an increase of 5.1% year-on-year, which was mainly benefited from the adjustment of certain shipping routes.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a container throughput of 11.11 million TEUs and bulk cargo volume of 135 million tonnes, representing an increase of 3.3% and 4.3% year-on-year respectively. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 6.93 million TEUs, representing an increase of 11.1% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 15.54 million tonnes, representing an increase of 18.4% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 57.36 million tonnes, indicating an increase of 3.6% year-on-year. Laizhou Harbour Affairs (莱州港务) handled bulk cargo volume of 22.75 million TEUs, representing an increase of 4.7% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 2.72 million TEUs, representing an increase of 3.4% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd. (“ZCMP”), located in Xiamen Bay Economic Zone, handled a container throughput of 0.457 million TEUs, increased by 13.9% year-on-year, which was mainly benefited from the increase in domestic shipping routes. With the recovery of the production capacity of wood processing and iron ore fines industries in the hinterland of ZCMP, bulk cargo volume handled by ZCMP amounted to 14.32 million tonnes, up by 37.4% year-on-year. Shantou China Merchants Port Group Co., Ltd., which was acquired in August 2017, handled a container throughput of 1.29 million TEUs and bulk cargo volume of 9.23 million tonnes.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.98 million TEUs, up by 9.7% year-on-year; and a bulk cargo volume of 91.87 million tonnes, up by 1.8% year-on-year.

Hong Kong and Taiwan

The total container throughput handled by ports in Hong Kong dropped by 5.7% year-on-year, of which the container throughput handled by the ports in Kwai Tsing area decreased by 4.7% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited delivered an aggregate container throughput of 5.93 million TEUs, up by 2.5% year-on-year, which outperformed the overall market of Hong Kong. Kao Ming Container Terminal Corporation in Kaohsiung handled a total container throughput of 1.75 million TEUs, representing an increase of 2.8% year-on-year.

Overseas operation

In 2018, a total container throughput handled by the Company’s overseas operations increased by 12.9% year-on-year to 20.66 million TEUs, among which container throughput handled by CICT in Sri Lanka rose by 12.0% year-on-year to 2.68 million TEUs. Container throughput handled by LCT in Togo increased by 18.3% year-on-year to 1.05 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Limited (referred to as TICT) in Nigeria was 0.48 million TEUs, representing an increase of 2.4% year-on-year. Container throughput handled by Port de Djibouti S.A. (referred to as PDSA) in Djibouti amounted to 0.86 million TEUs, down by 7.5% year-on-year, mainly attributed to the decrease in transshipment volume to Ethiopia. Terminal Link SAS, which acquired the port of Thessaloniki in Greece at the beginning of the year, handled container throughput of 13.64 million TEUs, representing an increase of 8.6% year-on year. Container throughput handled by Kumport in Turkey increased by 18.3% year-on-year to 1.26 million TEUs. In February 2018, the acquisition of TCP in Brazil was officially completed. TCP handled a container throughput of 0.69 million TEUs from March to December.

(3) Implementation of business plan during the reporting period

During the reporting period, adhering to the working principles of “farsighted and down-to-earth” and “establishing integrated systems and building core competitiveness”, the Company continued to maintain its strategic strength and remained committed to the strategic focus of domestic and overseas development and innovation and achieved major breakthroughs in five aspects, namely the development of homebase port, port consolidation, overseas expansion, comprehensive development and business innovation. Over the past year, the Company actively implemented its key tasks and maintained a steady growth in the core business and operating results of the Company’s ports.

Regarding the development of its homebase ports, Tonggu Channel project in West Shenzhen Port Zone was completed which enabled 200,000-tonnes mega vessels to call. Moreover, the renovation project of Haixing Port progressed as scheduled while the construction proposal of “Smart Port” has been proved and already entered into the implementation stage. In accordance with the concept of “strong synergy for high throughput”, the Group has facilitated the cooperation between West Shenzhen Port Zone and river terminals in the Pearl River Delta and achieved preliminary results.

In terms of port consolidation, the Company has established a strategic layout with a focus on “developing in Guangdong-Hong Kong-Macao Bay Area, connecting regions along Belt and Road Initiatives with a broad global network coverage” through strategic reconstruction, which has become the platform for managing the CMG’s port business and capital operation. In Bohai Rim, the entrusted management arrangement of Liaoning Port Group was completed.

As for overseas expansion, by seizing the opportunities arising from the major initiative of “Belt and Road” and the transfer of international production, the Company actively grasped the investment opportunities in ports, logistics and related infrastructure. The Company completed the acquisitions of TCP Terminal in Brazil, South America and Port of Newcastle in Australia, Oceania in 2018, realising its full coverage in six continents and further optimising its global port network.

In terms of comprehensive development, the Company actively explored and promoted the “Port-Park-City” comprehensive development model and achieved milestone progress. Djibouti International Free Trade Zone was officially opened in July 2018 and received good response. The comprehensive development project of Hambantota Port in Sri Lanka has completed the initial overall conceptual planning and has been actively developing the wheeled and bulk cargo business, demonstrating a sound business development trend.

With regard to innovative development, the Group actively pushed forward the “digitalised strategy” through the philosophy of “bringing influence through technology innovation, facilitating expansion by business innovation, enhancing quality and efficiency by integration innovation, and planning future by mechanism innovation” in exploring the construction of the port ecosystem. In 2018, the Company completed the E-Port project, RTG Remote Control project and Pearl River Delta (“PRD”) NETWORK project in West Shenzhen Port Zone with the utilisation of digital port technology, automated terminal technology, artificial intelligence application and big data analysis application. In terms of integrated cooperation model of industry with elements of finance, the Company planned for the establishment of the China Port Innovation Investment Fund (中国港口创新投资基金) which aimed to coordinate with the domestic influential port groups, innovate integrated cooperation model of industry with elements of finance, and explore new technologies, models and mechanisms for the port ecosystem, thereby achieving collaboration and resource matching between various port groups and the invested industries.

(4) Outlook of the Company’s future development

Outlook and trends of the industry

Looking forward to 2019, after the strong recovery in the last two years, the global economy will face the risk of slower growth. Trade protectionism will lead to more friction in the circulation of key elements and geopolitical issues will continue to dampen global recovery. With the weakening marginal utility of the stimulation policies, coupled with the effect of continuous interest rate hike, the United States will be facing increased debt and financial pressure; while the European economies will continue to recover at a slow pace with the prevailing uncertainties associated with political risks. Meanwhile, as affected by capital outflow, currency depreciation and geopolitical issues, the emerging and developing economies demonstrated diverging growth trends. According to IMF, it is expected that the global economy will grow at a lower rate of 3.5% in 2019, down 0.2 percentage point as compared to that of 2018, among which, developed economies are expected to grow by 2.0%, down 0.3 percentage point as compared to that of 2018; emerging and developing economies will grow by 4.5%, down 0.1 percentage point as compared to that of 2018, and the total global trade volume (including goods and services) will grow by 4.0%, flat with 2018.

China’s economy will be exposed to a more complicated condition in 2019 and shift from the phase of rapid growth to quality growth. Infrastructure investment will gradually stabilise under more vigorous fiscal expansion whilst income tax reform will help to stabilise consumption. The constant promulgation of supportive policies for private enterprises will restore the confidence of the enterprises. Fiscal and monetary policies aiming to stabilise overall demand will be more relaxed, and a more moderate and flexible approach will be adopted in addressing complicated international issues such as Sino-US trade friction. All of the above will be conducive to economic and trade growth. According to the IMF, China’s economy is projected to grow by 6.2% in 2019, down 0.4 percentage point over 2018.

Affected by the trade investment policy of “reverse globalization” and the adjustment of macroeconomic policies such as interest rate hike and tax reduction of developed countries, the risk of declining cyclical recovery momentum of the global economy will increase. In 2019, the global container transportation market will be under recovery and adjustment with the pressure of overcapacity. Under the influence of the Sino-US trade friction, the centralized export in 2018 by certain cargo owners of Trans-Pacific shipping routes will have a certain impact on their seaborne volume in 2019; while the shipping price of Asia-Europe shipping routes is under pressure as affected by the economic slowdown in Europe. However, the industrial transfer will bring more rooms for the development of shipping routes in Southeast Asia. Meanwhile, under the influence of trade friction and industrial transfer, the port investment of emerging economies will be facing intensified competition. The port price of developed countries continued to rise, creating great pressure for the acquisition and expansion strategy of port operators.

The current policies in China encouraging imports and acceleration of consumption upgrade will drive the growth of domestic import. Through measures such as organizing Import Expo, the Chinese government has been vigorously driving consumption. In the future, the government will focus on both export and import in China and the consumption import market will certainly provide great support for the port operation in China. The continued implementation of Guangdong-Hong Kong-Macao Greater Bay Area and free-trade port policy is expected to promote port development. With enhancing trading activities in the region, there will be opportunities for the development of regional shipping hubs. The integration of domestic regional ports has also brought opportunities to tap into major coastal cities and realise comprehensive development. Under the new development trend of domestic and overseas economy and trade as well as ports and the shipping industry, the Company will be playing an increasingly important role as a major player among global comprehensive port service providers.

Development strategy of the Company

The Company is striving to become a world's leading comprehensive port service provider and will firmly adhere to the strategic principle of being "farsighted, down-to-earth, technology-driven and flexible" and the goal of quality development to accelerate the technology-powered innovation, thereby realizing a scientific global layout with balanced development, providing first-class professional solutions and seeking more returns for shareholders, which will in turn support the development of local economy and industries and promote positive development of the port industry.

Firstly, in respect of domestic strategies, the Company will, by seizing the opportunity arising from the supply-side reform and based on "regional consolidation and enhancement of synergy", seek for opportunities for consolidation and cooperation on an ongoing basis across the five main coastal regions with a view to further expanding and improving the ports network layout within China. The Group will lead a new direction for the consolidation of regional ports with a key focus on constantly improving the quality of port development with its best efforts. Secondly, in respect of overseas strategies, the Company will continue to capitalize on the opportunities arising from the "Belt and Road" initiative promoted by China and the international industrial transfers, at the same time adapting to the trend of deploying mega-vessels and forming shipping alliances. Emphasis will be placed on the development of global major hub ports and gateway ports as well as areas with high market potential, fast-growing economy and promising development prospect. The Company will grasp opportunities in port, logistics and related infrastructures investment for the on-going enhancement of its global port network.

Thirdly, in respect of innovation strategies, the Company will adhere to "technology-driven and flexible" while supporting future port development by stepping up investment in innovation and holding the technology high ground. By means of technological innovation and innovative management, it will significantly enhance the efficiency and effectiveness of port operation and become a leading enterprise in the automation transformation of traditional ports. It will also enrich the comprehensive port services through business model innovation.

Business plans for 2019

In 2019, under the strategic principle of being "farsighted, down-to-earth, technology-driven and flexible", the Company will strengthen synergic cooperation externally and accelerate integrated development internally, make efforts to enhance various capabilities, improve risk prevention and control, establish quality development models and be committed to the vision of being a "global-leading comprehensive port service provider".

Regarding the development of homebase port, the Company will promote the West Shenzhen Port Zone as a world-class leading port by pushing forward the dredging project of West Shenzhen Port Zone and the completion and acceptance of the Tonggu Channel project as soon as possible and thus offering protection to the mega vessels to call at West Shenzhen Port Zone. Meanwhile, the Company will strengthen the construction of smart ports, facilitate the construction of "PRD NETWORK" platform, expand the network scope and data docking depth of the Pearl River Delta, enhance the transformation of the smart safety monitoring and on-shore smart container identification system of CCT Port Zone by the use of various technologies such as LBS system, Internet of Things, big data, etc. and therefore contributing to the construction of smart ports. In addition, accelerating the promotion of innovative applications, implementation of innovative projects including "system for safety protection and operation support in RTGs" and "RTG Remote Control" will improve operational efficiency, reduce operating costs, strengthen trade facilitation and improve the overall competitiveness of the homebase port. In terms of overseas homebase port, the Company will leverage the synergic advantages of CICT and Hambantota port to create a leading regional port and international shipping centre in South Asia.

Regarding overseas expansion, the Company will further improve its global ports network, focus on gateway ports and conduct in-depth research regarding its overseas layout. Also, the Company will identify priorities in strict compliance with assessment dimensions and principles for overseas ports projects. The Group will conduct studies on its overseas network along the "East-West route, South-North route, regions along the Belt and Road Initiatives". Furthermore, the Company will continue to put more efforts in the study of global regional market to establish and improve the regional market development and research database for the East Africa, West Africa, South Asia, Europe, Latin America and Southeast Asia.

In terms of comprehensive development, leveraging the opportunities brought by the shift towards "China+" industry, the Group will step up its efforts in promoting the "Port-Park-City" business model, and actively push forward the construction and development of the Djibouti Free Trade Zone for the comprehensive development project in Djibouti. For the comprehensive development project in Togo, the Group will continue to proactively promote the relevant comprehensive development cooperation projects; while for the Hambantota Port project, the Group will facilitate the preliminary work in relation to introduction of investment and capital based on the improvement of the park development plan. Capitalizing development opportunities arising from of the Guangdong-Hong Kong-Macao Greater Bay Area, the Company will actively make progress on its land preparatory works in the Qianhai-Shekou Free Trade Zone by participating in the overall development thereof.

Regarding operation management, the Company will continuously optimise internal procedures and mechanisms to promote management reform and process reengineering. The Company will focus its efforts on enhancing the level of refined operation and management of terminals for which it is a controlling shareholder, benchmarking its terminal management, reducing cost and improving efficiency, and generating income by saving costs so as to establish a governance structure of globalised operation and management headquarter, optimise overall management system and enable operating mechanism to be in line with project operation. The Company will also enhance its investment management and amend and improve relevant systems and procedures.

In terms of M&A integration, the Company will actively incorporate national strategies in its operation, with a focus on the policy opportunities arising from the “Belt and Road Initiative”, coordinated development of Beijing, Tianjin and Hebei Province, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the opening-up of Hainan trade zone, the revitalisation of Northeast China and the integrated development of the Yangtze River Delta Zone. The Company will also form a set of effective operational procedures to develop world-class M&A integration capability. Moreover, when the Company manages the assets of Liaoning Port, it will explore the potential for integration, focus on its core business and implement the integration of operational models through optimising the port zone layout, thereby creating business synergies.

Regarding innovative development, the Company will continue to enhance informatisation, upgrade and promote its core IT products, i.e. “TOS” series. Taking “E-Port” as a pivot, the Company will set up the establishment of top-tier port platform for providing excellent customer services. On the one hand, the Company will attach further importance to the unique role and fundamental position of technology-driven and innovation-oriented development. Also, the Company will create a top-tier port innovation ecosystem. Smart upgrade of controlling terminals of the Company will be gradually achieved through technological innovation. The Company will learn from the experience of implementing “RTG Remote Control” project in an in-depth manner to formulate a proposal for “RTG Remote Control” with its own features so as to support the transformation of Haixing Harbour and smart upgrade of various terminals in the future.

Capital needs and use plan

The total investment on fixed assets of the Company in 2019 is planned to reach RMB8,340,180,000, of which: RMB4,752,850,000 is for the investment on warehousing and port projects; RMB2,221,100,000 is for that on mechanical equipment and vehicle projects; RMB565,080,000 is for that on information projects; and RMB801,150,000 is for that on administrative, office and miscellaneous projects. The required funds of the above capital expenditure are mainly from the cash flow obtained from the Company’s operation and third-party financings.

Possible risks and counter measures

External risks

The external risks mainly come from the combined impact of international political environment and consolidation of domestic port groups. As for international political risks, the rise of populism around the globe has led to challenges in the globalization trend. The change in geopolitical and economy trade landscape, as highlighted by Sino-US trade friction, has caused changes in global trade structure and resulted in certain impacts on global economy trade and port shipping sector. Shipping routes in various regions across the globe may be affected and changed accordingly, causing adverse impacts on containers and bulk cargo businesses of the Company. As for consolidation of domestic port groups, with an ever-deepening consolidation of various regions in China, the port competition landscape will change correspondingly, causing uncertainty to the business and operation earnings of the Company.

By enhancing the build-up of risk identification, warning and mitigation ability, the Company has prevented, controlled and reduced external risks. The Company has continued to pay attention to changes in external policies and market environment specific to international political environment risk, especially Sino-US trade friction. On one hand, the Company can improve risk warning and monitoring measures and ensure proper work on customer credit status so as to reduce the risk of accounts receivable. On the other hand, the Company can notice the changes in the trade market structure and flow of resources, formulate and adjust strategies for business development in time so as to enhance collaboration and close connection between ports at home and abroad, improve service quality and related services, and stabilize import and export business and customer base.

Internal risks

The internal risks mainly come from the risks of shortage of outsourced labour, increased cost and legal compliance of overseas investment projects. In the context of economic transformation and upgrade in Shenzhen, wharf operation as a traditional industry faced significant labour shortage for the outsourced business due to the current working conditions and remuneration packages. Remarkable trends such as staff turnover and aging staff will affect production efficiency and posed safety risks. When the Company expands its overseas business, the requirement on compliance with legal policies in invested countries will pose the risk of uncertainty on the investment and operation of the Company.

The Company has proactively studied the outsourced staffing policy and formulated corresponding responsive strategies to diminish the impacts of outsourced staffing risk on the business of the Company, including enhancing the working environment of outsourced staff and improving their remuneration packages by increasing labor productivity, accelerating technological upgrade and innovation of techniques to raise the level of mechanization, reduce manual labor input and lower the use of manpower. Regarding the legal compliance risk of overseas investment projects, the Company will step up its efforts in establishing and enforcing compliance management system and ensure proper work on management and control throughout the process, i.e. before, during, and after overseas investment project investment and operation, so as to strictly prevent legal compliance risks.

2. Significant Change to Principal Activities in the Reporting Period

□ Yes √ No

3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Port operations	9, 184, 527, 309. 09	5, 303, 286, 893. 31	42. 26%	29. 27%	23. 38%	5. 81%

By operating segment						
Mainland China, Hong Kong and Taiwan	6, 635, 924, 788. 34	4, 216, 939, 216. 81	36. 45%	9. 93%	6. 56%	2. 90%
Other countries and regions	3, 067, 469, 834. 24	1, 522, 302, 179. 06	50. 37%	103. 37%	102. 15%	0. 30%

4. Business Seasonality that Calls for Special Attention

□ Yes √ No

5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

□ Applicable √ Not applicable

6. Possibility of Listing Suspension or Termination

□ Applicable √ Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

The changes in accounting policies of the Company are as follows: on 31 March 2017, the Ministry of Finance issued *Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments* (hereinafter referred to as "Revised Standards No.22"), *Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets* (hereinafter referred to as "Revised Standards No.23"), *Accounting Standards for Business Enterprises No.24-Hedge Accounting* (hereinafter referred to as "Revised Standards No.24"); on 2 May 2017, the Ministry of Finance issued *Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments* (hereinafter referred to as "Revised Standards No.37"); on 5 July 2017, the Ministry of Finance issued *Accounting Standards for Business Enterprises No.14-Income* (hereinafter referred to as "Revised Standards No.14"). The Company starts to implement the Revised Standards No.22, No.23, No.24, No.37 and No.14 in accordance with requirements stipulated in documents of the Ministry of Finance since 1 January 2018. For more details, please refer to the *Announcement on Changes in Accounting Policies* (announcement No.: 2018-025) disclosed on cninfo.com.cn by the Company on 7 March 2018.

On 27 November 2018, the Company held the 8th Extraordinary Meeting of the 9th Directors of the Board in 2018 and the 5th Extraordinary Meeting of the 9th Supervisory Committee in 2018, on which the *Proposal on Changes in Accounting Estimate of Fixed Assets* was reviewed and approved. In line with the *Accounting Standards for Business Enterprises No.4-Fixed Assets* and relevant regulations of the Company, the Company rechecked the estimated useful life and expected net residual value of fixed assets based on the current performance and service condition of fixed assets and decided to adjust the depreciation life of partial fixed assets and net residual value of total fixed assets so as to make it more reasonable and reflect the Company's financial condition and operating results more objectively and fairly. For more details, please refer to the *Announcement on Changes in Accounting*

Estimate of Fixed Assets (announcement No.: 2018-104) disclosed on cninfo.com.cn by the Company on 28 November 2018.

For further information, please refer to (III) Changes in Main Accounting Policies and Estimates in Part XI Financial Statements for details.

(2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

No such cases.

(3) YoY Changes to the Scope of Consolidated Financial Statements

During the year under review, the Company acquired a 51% interest in China Merchants Port (Zhoushan) RoRo Logistics Co., Ltd. ("Zhoushan RoRo"). Zhoushan RoRo changed its directors, supervisors and senior management with the industrial and commercial administration on 29 August 2018 and officially became a majority-owned subsidiary of the Company. From that day on, the Company includes Zhoushan RoRo into the consolidated financial statements. The above-mentioned acquisition fits the definition of an assets acquisition, and does not constitute business or a business combination. Thus, it is recognized as a change to the consolidation scope caused by other reasons.

The Company and China Merchants Investment Development Company Limited (hereinafter referred to as "CMID") signed the *Agreement on Asset Acquisition through the Issue of Shares* on 19 June 2018, which was approved by China Securities Regulatory Commission through the *Reply on the Approval of the Issue of Shares by Shenzhen Chiwan Wharf Holdings Limited to China Merchants Investment Development Company Limited for Asset Acquisition and Raising of Supporting Funds* (ZJXK [2018] No. 1750). The Company issued shares to CMID to acquire 1,313,541,560 ordinary shares (hereinafter referred to as "the target assets") of China Merchants Port Holdings Company Limited (hereinafter referred to as CMPort Holdings) held by CMID. According to the transaction bills affixed with the stamp duty of Hong Kong dated 15 November 2018 and the Daily Settlement Book of Chiwan Wharf's stock account produced on 16 November 2018 by China Merchants Securities (HK) Co., Ltd., the stock agent in Hong Kong, the 1,313,541,560 CMPort Holdings ordinary shares have been registered under the name of the Company, marking that the procedures for the registration of the ownership transfer in respect of the target assets has been completed. As at 25 December 2018, the procedures for the registration of the shares issued by the Company to the counterparty CMID had been completed in CSDCC Shenzhen. Thus, the Company has controlled and consolidated CMPort Holdings. For more details, please refer to the *Announcement of Shenzhen Chiwan Wharf Holdings Limited on the Issue of Shares to Acquire Assets and Raise Supporting Funds and the Attainment of the Approval from CSRC for Related-party Transactions* (Announcement No. 2018-094), and the *Report of China Merchants Port Group Co., Ltd. on the Issue of Shares to Acquire Assets and Raise Supporting Funds and the Implementation of Related-party Transactions and the Listing of New Shares* published on CNINFO (http://www.cninfo.com.cn) on 1 November 2018 and 24 December 2018 respectively.

On 25 December 2018, the Company completed the issue of shares to the counterparty CMID and achieved the control over CMPort Holdings in form and nature. In accordance with the related provisions in the *Accounting*

Standards for Business Enterprises No. 33 - Consolidated Financial Statements, the Company started to consolidate the financial statements of CMPort Holdings from December 2018, and adjusted the beginning and last year data in the comparative financial statements according to the rules governing business combinations under common control.

For and on behalf of the Board

Bai Jingtao

Legal representative of

China Merchants Port Group Co.,Ltd

Dated 30 March 2019