

Press Release  
(for immediate release)



**中国远洋控股股份有限公司**  
China COSCO Holdings Company Limited

## **China COSCO Announces 2016 Interim Results**

### **Synergies Emerge on Successful Business Restructuring**

(25 August 2016, Beijing) — China COSCO Holdings Company Limited (“China COSCO” or the “Company”) (SSE:601919; HKEx:1919) today announced its financial results for the first half of 2016.

In the first half of 2016, the global economy slowed down with overall market demand for container shipping services had remained sluggish since the second half of 2015. Despite the slower growth of shipping capacity when compared with last year, no significant improvement was made in the imbalance between supply and demand of the shipping sector. The freight rates stayed weak and repeatedly fell to record lows. In the first half of 2016, the averages of the Shanghai Containerized Freight Index (SCFI) and the China Containerized Freight Index (CCFI) were 533.8 points and 690.9 points, respectively, representing a decrease of 35.8% and 28.8% year-on-year, respectively. They once hit record lows. The freight rates of main routes between Europe and America dropped by approximately 40% year-on-year, and those for the routes between Asia and Europe even shrunk to the low of US\$50/TEU. They were significantly lower than the levels seen right after the outbreak of the financial crisis in 2008. Dragged by lackluster freight rates, the Company recorded net loss of RMB 4,820 million in the first half of 2016 when the profit and loss account of non-recurring operations was excluded. It posted net loss of RMB760 million from the disposed dry bulk shipping business for the period from January to February 2016.

In the face of challenging market conditions, China COSCO vigorously implemented business reform and restructuring in the first half of 2016. It achieved remarkable progress in the consolidation of container shipping business, with cost synergy began to emerge. On 1 March 2016, the Company started the programme to consolidate its container shipping operation. Guided by the principle of “Four Ones” (One Team, One Culture, One Goal and One Dream), China COSCO undertook a series of complicated and challenging tasks, including the integration of staff into its business units, the optimization of its vessels and container fleets allocation, the enhancement of its communication with customers and suppliers and their consolidation, the

optimization of domestic and overseas networks, the enhancement of business process, the establishment and comprehensive trainings of marketing service team, and the change of IT system for shipping routes management. After nearly sixth months of efforts, the Company made stable progress in every task in an efficient manner, with major work of business integration was basically completed. An integrated marketing management system, customer maintenance system as well as standardized operational process and operation management system were well established. The business integration enabled China COSCO to develop a more comprehensive service network, a more diversified portfolio of shipping routes with significantly improved customer service capabilities. The scale of its self-operating container fleets was substantially expanded. As of the end of June this year, its self-operating fleet had 304 vessels with total capacity of 1.61 million TEUs, representing an increase of 83.3% year-on-year. Its shipping capacity rose to the fourth place in the world. In the first half of 2016, the Company handled containers of 7.413 million TEUs, representing an increase of 39.2% year-on-year. As to cost savings, the synergies arising from the business restructuring emerged from March to June 2016. The average cost per TEU dropped 13.17% year-on-year and dropped 7.07% year-on-year if the fuel costs were excluded.

After the business restructuring, China COSCO exerted greater influence in the container shipping industry. On 20 April 2016, the newly restructured COSCO Container Lines Co., Ltd. entered into a memorandum of understanding to form the Ocean Alliance with CMA CGM S.A. from France, Evergreen Marine Corp. and Orient Overseas Container Line Limited to form the Ocean Alliance. The alliance among the four leading shipping operators in the world enables them to provide cargo owners with better services and improve the operational efficiency by sharing their respective resources around the world, thereby promoting the healthy development of the shipping industry as a whole. Besides, on 26 June 2016, COSCO Shipping Panama captivated the attention of the world as it made the inaugural transit through the expanded Panama Canal and became the first Neopanamax containership passing through the newly constructed lock on the waterway.

Meanwhile, China COSCO made significant progress in the optimization of its global coverage and the restructuring of its terminal business. COSCO Shipping Ports Limited (formerly known as "COSCO Pacific Limited"), a wholly owned subsidiary of China COSCO, concluded a supplementary agreement with PSA Singapore in respect of the joint venture of container terminals on 28 March 2016 and an equity transfer agreement with Europe Container Terminals (a subsidiary of Hutchison Port Holdings) in respect of the Rotterdam EUROMAX container terminal project on 11 May 2016. After completion of the restructuring, COSCO Shipping Ports became the second largest terminal operator in the world in terms of total container throughput. As at the end of June 2016, the Company's terminal segment operated 171 berths across the coastal regions in China and several major ports in the world. Of which, 149 berths were for container shipping, 20 berths for dry-bulk cargoes and two berths for automobiles.

Looking ahead into the second half of 2016, the growth rate of global container fleet capacity is expected to slow down, while the market demand is expected to pick up in the third quarter, the traditional peak shipping season. However, the container shipping industry will continue to be plagued by over-capacity problem and the market condition will remain challenging.

Despite various challenges lying ahead, China COSCO is embracing unprecedented opportunities in the market. Firstly, the Chinese government plans to accelerate the implementation of a series of national strategies amid the relatively stable macro-economic environment. These strategies, including the “One Belt and One Road” initiatives, the development of the “Yangtze River Economic Belt”, the “Maritime Power Strategy” and “Made in China 2025” strategy, will provide China COSCO new strategic opportunities for its rapid development in the next few years. In addition, the reform and reorganization of China COSCO began to produce positive effects. As China’s largest integrated shipping company focusing on container shipping service chain. China COSCO has gained much stronger foothold in the industry, which substantially enhanced its market position and influence. China COSCO has achieved preliminary success in business restructuring and restructuring, which is expected to create greater synergies in the second half of 2016 and 2017.

In respect of container shipping business, China COSCO will focus on the the implementation of four core strategies (low-cost, customer-oriented, one-stop transportation capability and globalization). The Company endeavors to develop itself into a leading international container shipping operator through continuous efforts to improve the operation and management capabilities, create the differentiation advantages of customer services, provide high value-added services and improve its operating performance. Going forward, it will implement the following strategies: (1) implement low-cost strategy, explore the ways to trim down costs, improve resources allocation, strengthen supplier management, and create greater synergies; (2) take customer-oriented approach, make continuous improvements in the process of service delivery, provide timely solutions to solve customers’ ”pain spots”, and enhance its service capabilities and customer experience; (3) further improve its capability of providing one-stop shipping solutions, explore customers ”potential demand for extended services, and strive to create value for customers; and (4) implement the globalization strategy, speed up the development of a low-cost global shipping network which connects east and west, north and south as well as different regions in the world, further improve its operational efficiency through enhancement of the mechanism of shipping alliances and networks.

As for terminal business, COSCO Shipping Ports will fully utilize the advantages for the expanded container fleets resulting from the restructuring of China COSCO to strengthen the collaboration and strategic synergies with its container shipping business. While consolidating its leading position in terminal investment in China, the Company will also attach great importance to the globalization strategy. It will accelerate the expansion of global coverage for its terminal business and strengthen

the development in the regions along the “One Belt and One Road”, thereby strengthening its global network of container hub ports and enhancing its capability to serve shipping companies and shipping alliances. It will identify opportunities to invest in terminals, increase the number of terminals under its control, strengthen the control over its terminals and enhance the operational capability and efficiency of its terminal portfolio in a more efficient manner. Meanwhile, the Company will actively facilitate the integration of existing terminal portfolio in order to optimize the terminal assets and management standards.

2016 sees the first year of the implementation of the "13th Five-year Plan". It marks a milestone for the corporate development of China COSCO. Despite the severe challenges facing the Company, it successfully completed the most complicated and difficult tasks in its restructuring. Going forward, China COSCO will make relentless efforts to enhance its operating efficiency and turn around its operating results. The Company will stick to its new strategies to drive persistent improvements in its operating results, strive hard to become a leading container shipping and terminal services provider in the world, whereby creating value for its customers and returns to shareholders.

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### **About China COSCO**

China COSCO Holdings Company Limited (“China COSCO”, Stock Code: 601919.SS; 01919.HK) is the fourth largest container liner company and the second largest terminal operator (in terms of total throughput) in the world, with a focus on container shipping service chain. China COSCO was listed on the Hong Kong Stock Exchange in June 2005 and the Shanghai Stock Exchange in June 2007.

### **Disclaimer**

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