

Press Release  
(For Immediate Release)



## **China COSCO Returns to Profitability in 2013**

(28 March 2014, Beijing) China COSCO Holdings Company Limited (“China COSCO” or the “Company”) (HKEx:1919; SSE:601919) announced that the Company returned to profitability in 2013. Net profit attributable to its equity holders for the year amounted to RMB235 million.

The China Containerized Freight Index (CCFI) average for 2013 was 1,081.8, down 7.6% from the previous year. Meanwhile, there were large fluctuations in the Baltic Dry Index (BDI) last year. Although its 2013 average climbed 31.1% to 1,206 from a year ago, it stayed below 1,000 most of the time in the first three quarters. In addition, bunker fuel costs hovered at higher levels. In the face of these difficulties, the Company focused on improving its core shipping operations. As a result, the loss of its shipping segment reduced by RMB3.59 billion. Together with assets disposal gain of RMB6.5 billion, the Company achieved profitability turnaround.

In 2013, China COSCO strove hard to “boost revenues and cut cost”. It adjusted route structure of container shipping operation, carried out measures to resume freight rates and actively expanded businesses in emerging markets, such as Southeast Asia, South America and Africa, and China’s domestic market. As to dry bulk shipping business, the Company optimized customer base, innovated marketing model, adjusted capacity on a timely basis and reduced the number of chartered-in vessels. COSCO Pacific focused on the development of terminal and container-leasing operations, actively explored business opportunities and captured them to drive profit growth. The Company exercised stringent control of its costs and expenses and produced remarkable results. Its bunker fuel costs for 2013 dropped 17.9% from the previous year.

China COSCO attached great importance to service enhancement and innovation. In 2013, its container shipping segment took advantage of booming Internet and E-commerce services in China to launch an online booking platform for domestic shipping services, thereby realizing the Online-to-Offline (O2O) new marketing model. It is China’s first online cargo-booking platform for domestic shipping services. Meanwhile, its dry bulk shipping segment further expanded customer base and stepped up efforts to innovate its service and marketing model. It deployed internal resources and set up professional teams to address diverse needs of customers in accordance to their specific requirements for handling different types of cargoes and projects. Customers can thus get access to customized, professional cargo transportation solutions, while the Company can better manage its cargo sources. COSCO Pacific continued to push ahead with “Four Changes” in its terminal operation and innovations in its container-leasing business.

Looking ahead into 2014, management expects that the shipping market will recover mildly this year. According to Clarkson forecast, demand for container shipping services in 2014 will grow 6% in contrast to a 4.6% increase in shipping capacity for the period. Despite that the market imbalance has alleviated, the overcapacity issue will remain a concern.. Also, there is a growing tendency for shipping companies to

use bigger vessels and to form alliances with peers. These alliances will play an increasingly significant role in the future. Meanwhile, according to Simpson, Spence & Young (SSY) estimate, demand for dry bulk shipping service is forecasted to grow by 5.8% in 2014 compared to a 4.7% increase in capacity for the period. As domestic demand maintains steady growth and the downside risk of global economy is limited, management believes that the dry bulk shipping industry will moderately pick up. However, given the accumulated capacity in the market, the recovery will be rather unsteady.

China COSCO will continue to enhance the operating capability of its core business, with a view to boosting revenue, controlling costs, optimizing management and ensuring safety.

Regarding to container shipping business, the Group will further expand its fleet size, step up efforts to expand global network, accelerate penetration into emerging markets. Moreover the Group will reinforce cost control, and optimize resources allocation and utilization rate; whilst strengthening cooperation with its partners to form a new alliance mechanism. Through expanding customer base, innovating new services, strategically improving e-commerce shipping services and business with the foundation of e-commerce platform for domestic trade, the Group strive for transforming its business model.

On dry bulk shipping business, the Group will adhere to its strategy of focusing on major customers and expanding cargo sources. With accurate market analyses and refined market operations, it aims at achieving external synergy and forming horizontal alliance. The Group will also strengthen control at source and cut costs; whilst coordinating to execute the plan of scraping old vessels and building new ones, as well as improving fleet structure in a timely manner.

On terminal business, the Group will pursue its long-term strategy and actively explore business opportunities. On container leasing business, the Group will purchase new containers based on market demand, expand and improve its container fleet, thereby delivering comprehensive container leasing services to customers.

By leveraging the opportunities arising from China's efforts in deepening reform in 2014, China COSCO will drive its business with continuous innovation and proactive strategic layout, enhance its operation management and push through reforms in business model, with a view to maximizing profit, corporate value and shareholder's return.

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### **About China COSCO**

China COSCO Holdings Company Limited ("China COSCO", together with its subsidiaries collectively known as the "Group"), is a leading global integrated shipping and logistics services provider. The Group provides comprehensive shipping services including container shipping, dry bulk shipping, terminal operations and container leasing. It maintains leadership in each of business sector. China COSCO operates one of the largest dry bulk fleets in the world. Its container fleet is the fifth largest in the world and the largest in China. Its terminal operation and container leasing business are ranked the fifth and the fourth respectively in the world, while its logistics business is leading in China. The Company was listed on the Hong Kong Stock Exchange in June 2005 and the Shanghai Stock Exchange in June 2007 respectively. As the flag ship of COSCO Group in capital market, China COSCO is committed to becoming a global leader in shipping and logistics.

### **Disclaimer**

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