

Press Release  
(For Immediate Release)



## **China COSCO Announces FY2014 Interim Results**

### **- Stringent Cost Control Takes Initial Effect and Core Business Segments Achieved Notable Progress in Reducing Losses**

### **- Multiple Adjustments Adopted to Advance Sustainable Developments**

(28 August 2014, Beijing) — China COSCO Holdings Company Limited ( “China COSCO” or the “Company” ) (SSE:601919; HKEx:1919) announced today the interim results of the Company and its subsidiaries (collectively, the “Group” ) for the six months (the “Period” ) ended 30 June 2014.

During the Period, international freight rates remained generally weak due to moderate international shipping demand and the continued excessive capacity in the market. CCFI averaged at 1,102, basically flat from 1,093 a year earlier; BDI averaged at 1,179, 40% higher year on year. However, BDI averaged at only 982 for the second quarter.

Despite the sluggish market conditions, China COSCO actively dealt with the market fluctuations by focusing on efficiency enhancement, deepening of reforms, structural adjustment and business transformation. Therefore a notable progress was made in the reduction of losses. Meanwhile, cash flow from operating activities improved significantly. During the Period, net loss attributable to the owners of the parent company was RMB2.28 billion; net loss attributable to the equity holders of the listed company, net of non-recurring profit and loss was RMB2.06 billion, a reduction of RMB2.69 billion or 56.6% in losses year-on-year.

In terms of business segments, COSCO Container Lines Co., Ltd. ( “COSCON” ) expanded business scope for revenue growth and achieved increase in both shipping volume and operating revenue by adjusting shipping deployments, optimizing routes network, increasing investment in emerging markets, attracting more business with high value-added cargos. China COSCO Bulk Shipping (Group) Co., Ltd ( “China COSCO Bulk” ) stepped up its effort to develop new clients as well as analyze and estimate the market in a more precise way. China COSCO Bulk managed to increase revenue and save expenses during the Period. Affected by the decreased shipping capacity, shipping volume of the bulk fleet dropped while operating revenue was

basically flat year on year due to the increased freight rates and rental income as well as refined marketing schemes. Gross operating profit of the core shipping business achieved noticeable progress in cutting losses year on year. COSCO Pacific generally continued to make steady profit as a result of its persistent efforts to execute its long-term strategic plan of terminal developments, actively seek opportunities to invest in emerging markets, further expand terminal network, and advancing container leasing business.

Regarding to cost control, all the subsidiaries of China COSCO attached great importance to combination of cost control target management and process monitoring, and partially eased the pressure from the inevitable rising of operating cost in the first half year. For example, COSCON cut fuel consumption by 10.5% year on year and expenditure on fuel dropped by 17.5% year on year through increasing vessels and slow steaming, centralized procurement and other fuel-saving measures even though both self-operating shipping capacity and shipping volume have increased year on year. China COSCO Bulk's vessel chartering expenditure fell 28.4% year on year while it has managed to cut its fuel expenditure by 18.6% yoy by adopting fixed prices to procure fuel, slow steaming, choice of bunkering port and other measures.

Regarding to structural adjustment, in the first half year, China COSCO speeded up to replace old vessels with new ones and adjusted the structure of its fleet. Despite of the increased non-reoccurring expenditure brought by vessel dismantling, China COSCO decreased its average age of self-owned fleet, enhanced vessels' fuel-saving and environmental technology and further optimized its overall capacity structure by retiring old vessels, ordering new energy-efficient vessels. Meanwhile, the Company adhered to value-based marketing philosophy, further promoted its key customer account strategy, making effort to increase the proportion of its strategic clients, direct clients and other high valued clients. Besides, the Company stuck to the principle of cargo based vessel operation, focused on basic cargo sources, continuously optimized market structure, client structure and cargo source structure, therefore it has achieved steady growth in the proportion of basic cargo sources and of direct clients and its counter-risk capability improved.

Regarding service innovation, China COSCO has been deepening the structural reform and actively driving technological innovation in the Period. COSCON continuously developed new modes for profit improvement, further accelerated the development of E-commerce business in shipping. China COSCO Bulk innovated marketing philosophy, optimized marketing strategy, strengthened internal synergy within the marketing teams and set up teams by cargo types to provide key clients with tailor-made integrated solutions. Meanwhile, COSCON, K Line, Yang Ming, Hanjin and Evergreen formally commenced CKYHE alliance and conducted joint service operations on six Asia-Europe routes and three Asia-Mediterranean routes from mid April.

Looking ahead, in the second half year, the Company expects the global economy will stay with the trend of "weak recovery, slow increase" and major economies across the world will see slow growth with fragile foundation for recovery. Shipping industry is forecasted to remain sluggish and shipping

companies will have to face such challenges as weak demand, rising cost, shortage of capital and narrowing profit margins.

In the face of such challenges, China COSCO will be committed to developing its core management system, firmly stress the task of “increase revenue, control cost, refine management and ensure safety” with focus on container shipping and bulk shipping. The Company will make all-out effort to tap into new markets, keep stringent cost control, strive to make profit in shipping segments and improve profit contribution from terminal, container leasing and other related industries. Meanwhile, the Company will firmly grip the strategic opportunities brought by China's economic transformation and deepen institutional reforms with emphasis on risk management to ensure sustainability in all respects.

Regarding to container shipping, the Company will continue to optimize its fleet structure and global service network, develop emerging markets, expand client base, strengthen alliance collaboration, improve the structures of market, cargo flow, cargo source and clientele, further step up cost control, enhance its capability in resource allocation and improve efficiency. Meanwhile, the Company will continue to drive the cross-industry integration of traditional industries and E-commerce, strive to develop an ecological environment for E-commerce in shipping industry and to seize future opportunities.

Regarding to dry bulk shipping, the Company will adhere to the philosophy of prudent operation, implement key account strategy, stick to the principle of “combining fleet structure adjustment and adjustment of cargo source structure and client structure” and optimize capacity structure. Meanwhile, the Company will further develop its global network layout and improve the proportion of basic cargo sources.

In terms of the major shipping business, the Company will speed up to tap into emerging markets and regional markets, improve regional route network, seek third country market, balance cargo flow, increase utilization rate of shipping space and continuously improve operating profit. Meanwhile, the Company will grasp opportunities from national micro-economic stimulus policies, establishment of free trade zones, development of “One Belt and One Road” and of Yangtze River Economic Belt and will actively grow in the market of domestic trade transportation.

Regarding to terminal business, the Company will continue to implement the long-term global terminal strategy, actively search and evaluate investment opportunities for domestic and overseas terminal projects and respond prudently to market demands of container leasing industry.

Despite the complexities and uncertainties in the shipping market, the management of China COSCO, well understood and supported by all investors, will certainly do our utmost to turn the results into positive and to achieve long-term sustainable developments.

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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 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 fourth in the world. 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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