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 Q1 Results

(28 April 2016, Shanghai) － China COSCO Holdings Company Limited ("China COSCO" or the "Company") (SSE:601919; HKEx:1919) today announced the results for the first quarter ended 31 March 2016.

In the first quarter of 2016, the downturn in global shipping industry continued, with severe imbalance between supply and demand in the container shipping market and continued decline of freight rates. The average Shanghai Containerized Freight Index (SCFI) was 528 points, down 47% year-on-year, and 8% lower quarter-on-quarter. On 18 March, SCFI slipped to a record low of 400.43 points since 2009. The freight rates for main international routes hit new-low for the last five years. For dry bulk shipping market, average Baltic Dry Index (BDI) in the first quarter was 358 points, down 41.6% year-on-year, and 44% lower quarter-on-quarter. On 10 February, BDI hit its all-time-low to 299 points. Affected by the above unfavorable market conditions, China COSCO reported a loss of RMB2.14 billion, attributable to equity holders of the Company after deducting non-recurring losses.

In the first quarter of 2016, China COSCO's major asset restructuring went smoothly, having completed on schedule the disposal of all the issued shares in Florens Container Holdings Limited and the loss-making China COSCO Bulk Shipping (Group) Company Limited. According to accounting standards, the owner equity related to the disposed items (mainly converted difference in foreign currency statements) has been recorded in the current quarterly report as one-time loss. Meanwhile, as a result of the disposal, the company gained significant amount of cash which in turn is favorable to reduce outstanding debt and to improve the Company's financial position.

For the container shipping business, China COSCO actively undertook the restructuring as scheduled. On 1 March, the Company's subsidiary, COSCO Container Lines Co. Ltd (COSCON) signed a series of agreements on containers and container vessels leasing with China Shipping Container Lines Co. Ltd. (CSCL), signifying the official commencement of the restructuring between the two companies. To date, the Company has completed the acquisition of more than 30 domestic network operation & marketing companies. Recently, the Company also started the consolidation and optimization of the overseas operation & marketing networks. Business integration and initial synergies have been achieved. In March 2016, the cost per TEU, cost for container management, and empty container transportation have been lowered compared to the same period last year.

On 20 April, COSCO Container Lines, CMA CGM, Evergreen, and OOCL jointly signed a Memorandum of Understanding to form a new alliance named “OCEAN Alliance”. The new alliance will collaborate closely to offer services for more than 40 routes, including Asia-Northwest Europe, Asia-Mediterranean, Far East-Red Sea, Far East-Persian Gulf, Asia-East/West US coast and Trans-Atlantic routes. Subject to regulatory approval, the new alliance is expected to commence operation in April 2017, with an initial plan of a combined fleet of over 350 ships, achieving highly efficient and synergized operation. The new alliance will be industry leader in terms of freight schedule, service frequency and coverage, providing more choices and better global services for customers.

In terminal business, the restructured COSCO Pacific Ltd (COSCO Pacific), the Company’s subsidiary, has successfully expanded its business in the overseas market. After successful acquisition of 26% interest in Kumport Terminal in Istanbul,Turkey in 2015, COSCO Pacific have lately signed a supplementary agreement with PSA Singapore for joint operation in the container terminals to further expand the collaboration between the two companies. The global layout of the Company’s terminal business is progressing smoothly.

In 2016, the world economy is expected to continue with its sluggish recovery. The container shipping market remains to be challenging, with continued imbalance between supply and demand and low rates. Outlook for the shipping industry remains gloomy and shipping carriers will continue to face challenges in their business operations.

To address the market challenges and restructuring complexity, China COSCO will follow the strategies in four aspects to “expand its scale, enhance its profitability, strengthen its ability to overcome cyclical effect and become an international company”. The Company will accelerate its operation optimization and consolidation, improve its freight capacity structure, optimize its fleet network, and enhance operational efficiency and cost control, striving to realize post-restructuring synergies and economic of scale as quickly as possible.

At the same time, the Company will response to the national initiatives of the “Belt and Road” and the “Yangtze River Delta Economic Belt” strategies, and further engage and increase investments in the emerging markets, the regional markets and third-country markets. At the same time, the Company will expand the stable profit from the terminal business, maximizing the complementary effect on the container shipping business, as well as hedging cyclical risk, and ultimately strengthening the long term competitive edge of the Company.