Press Release **28 March 2017**

OSCO SHIPPING Ports Limited
中遠海運港口有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2016 Final Results

Results Highlights

- On 18 March 2016, the Company completed the acquisition of all the issued shares of China Shipping Ports Development Co., Limited ("CSPD"), which became a wholly-owned subsidiary of the Company. The adoption of merger accounting has resulted in changes in certain relevant comparative figures, which have been restated to conform with the current year's presentation.
- In 2016, the sluggish growth in the global economy and ports industry, as well as the decrease in China's foreign trade compared with last year, pressured the growth of the terminals business of the Group. The Group's revenue increased by 1.1% to US$556,377,000 (2015: US$550,217,000). However, gross profit margin decreased slightly by 0.4 percentage points to 35.8% (2015: 36.2%) due to the increase in cost of sales. Gross profit remained flat at US$199,083,000 (2015: US$199,089,000).
- Total share of profits less losses of joint ventures and associates dropped by 9.4% to US$200,242,000 (2015: US$221,139,000).
- Equity throughput increased by 5.0% to 29,473,573 TEU (2015: 28,065,774 TEU).
- Profit from the terminals business of the Company was US$242,898,000 (2015: US$286,584,000), a 15.2% decrease compared with last year, partly due to the provision for impairment loss recognised for Qinhuangdao Port Co., Ltd. ("Qinhuangdao Port") of US$19,800,000. Excluding the provision for impairment loss made for Qinhuangdao Port, profit from the terminals business for 2016 was US$262,698,000 (2015: US$286,584,000), an 8.3% decrease compared with last year.
- Profit attributable to equity holders of the Company dropped by 42.5% to US$247,031,000 (2015: US$429,313,000). Excluding discontinued operations, profit attributable to equity holders of the Company dropped by 32.3% to US$180,937,000 (2015: US$267,312,000)[Note 1].
- The proposed final dividend is HK7.8 cents per share (2015: HK22.9 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year interim and final dividends amounted to HK25.8 cents (2015: HK40.2 cents), representing a payout ratio of 40.0% (2015: not applicable)[Notes 2 and 3].

Note 1: On 24 March 2016, the Company completed the disposal of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL"), and recorded gain on disposal of US$59,021,000. For the three months ended 31 March 2016, profit of FCHL attributable to equity holders of the Company was US$7,073,000 (full year of 2015: US$82,849,000).

Note 2: According to 2015 annual report, the 2015 payout ratio was 40.0% (before restatement).

Note 3: In addition to interim and final dividends, the Company distributed a conditional special cash dividend of HK80.0 cents per share on 4 May 2016.

The board of directors (the "Board") of COSCO SHIPPING Ports Limited (the "Company" or "COSCO SHIPPING Ports") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

Operational Review

The global economy grew slowly in 2016, hindering the recovery of the global shipping and port industries. According to the forecast made by Drewry in December 2016, global container throughput growth was 1.3% in 2016, largely unchanged from 2015 and indicative of the sluggish recovery.

For China, figures published by the National Bureau of Statistics of China show that annual gross domestic product rose by 6.7% from last year. Despite an ongoing restructuring, China's economy remained on a steady, positive trend as it benefited from growth in the retail and real estate sectors in the second half of the year. China's foreign trade was affected by slow growth in overseas demand and competition from other exporting countries. In 2016, China's total import and export value fell by 6.8% year-on-year to US$3,684.9 billion, with exports and imports decreasing by 7.7% and 5.5% respectively.

As at 31 December 2016, there were 158 berths under the Group's operating container terminals and the total annual handling capacity was 97,250,000 TEU. There were 20 bulk berths in operation, with a total annual handling capacity of 49,950,000 tons.

During the period, total throughput of the Group's container terminals increased by 5.1% year-on-year to 95,071,922 TEU (2015: 90,485,975 TEU). Of this, 15,735,175 TEU (2015: 15,156,669 TEU) were handled by its subsidiaries, accounting for 16.6% (2015: 16.8%), while 79,336,747 TEU (2015: 75,329,306 TEU) were handled by its non-subsidiaries, accounting for 83.4% (2015: 83.2%).

Total equity throughput of the Group's container terminals increased by 5.0% year-on-year to 29,473,573 TEU (2015: 28,065,774 TEU). Of this, 10,027,597 TEU (2015: 9,521,834 TEU) were handled by its subsidiaries, accounting for 34.0% (2015: 33.9%), while 19,445,977 TEU (2015: 18,543,939 TEU) were handled by its non-subsidiaries, accounting for 66.0% (2015: 66.1%).

Operation Status by Region

The throughput of the Greater China region accounted for 85.7% of the Group's total throughput, increasing by 1.2% to 81,488,940 TEU (2015: 80,559,240 TEU). The throughput in Mainland China (excluding Hong Kong and Taiwan) accounted for 81.3% of the Group's total throughput, increasing by 1.5% to 77,327,268 TEU (2015: 76,205,208 TEU).

Bohai Rim

The Bohai Rim region accounted for 34.3% (2015: 34.5%) of the Group's total throughput, reaching 32,612,471 TEU (2015: 31,199,327 TEU), representing a 4.5% year-on-year increase. Within this, Qingdao Qianwan Terminal recorded steady growth, with a 3.0% increase in its throughput compared with last year to 17,499,703 TEU (2015: 16,995,934 TEU).

Yangtze River Delta

The Yangtze River Delta region accounted for 19.5% (2015: 21.1%) of the Group's total throughput, reaching 18,508,168 TEU (2015: 19,071,524 TEU), representing a 3.0% year-on-year decrease, mainly attributable to the performance of Ningbo Yuan Dong Terminal.

Southeast Coast and Others

The Southeast Coast and other regions accounted for 4.8% (2015: 4.6%) of the Group's total throughput, reaching 4,533,026 TEU (2015: 4,129,030 TEU), representing a 9.8% year-on-year increase. Of this, the throughput of Kao Ming Container Terminal Corp. ("Kao Ming Terminal") increased by 13.3% year-on-year to 1,728,922 TEU (2015: 1,525,359 TEU), mainly attributable to the fact that its renewed automated equipment has boosted operational efficiency.

Pearl River Delta

The Pearl River Delta region accounted for 26.0% (2015: 27.9%) of the Group's total throughput, reaching 24,697,218 TEU (2015: 25,238,622 TEU), a 2.1% year-on-year decrease. Impacted by the relocation of China's manufacturing industry northward and less dependency globally on Chinese exports, the ports operations in the Pearl River Delta came under pressure as a result of fierce competition in the region.

Southwest Coast

During the period, the Southwest Coast region accounted for 1.2% (2015: 1.0%) of the Group's total throughput, reaching 1,138,057 TEU (2015: 920,737 TEU), representing a 23.6% year-on-year increase, mainly attributable to the significant increase in cargo volume following the transfer of the container routes of Fangcheng Port and Beihai Port to Qinzhou Port as a result of the internal business restructuring of Beibu Gulf Port.

Overseas

In 2016, overseas business accounted for 14.3% (2015: 11.0%) of the Group's total throughput, reaching 13,582,982 TEU (2015: 9,926,735 TEU), representing a 36.8% year-on-year increase, mainly attributable to the fact that Kumport Terminal in Turkey, BPT in Korea and Euromax Terminal in Rotterdam began to contribute, with a combined throughput attributable to the Group of 3,403,798 TEU in 2016. Excluding the cargo volume of these three terminal companies, the overseas throughput of the Group increased by 2.5% to 10,179,184 TEU in 2016. During the period, Piraeus Terminal posted satisfactory performance with its throughput increasing by 14.4% year-on-year to 3,470,981 TEU (2015: 3,034,428 TEU).

Accelerating the Expansion of Our Global Footprint to Achieve Sustainable Growth

It is one of the key strategies of the Group to accelerate the expansion of its global terminals footprint. With the formal creation of new networks following the establishment of strategic alliances among shipping companies, these shipping alliances now conduct business on a very large scale. To meet the business needs of the large shipping alliances and accommodate the development of their shipping routes, terminal operators therefore need more comprehensive global terminal networks with extensive coverage, if they are to maximise their market share. In this regard, during the year, the Group successively announced three overseas acquisitions, entered into agreements with PSA Corporation Limited ("PSA") in Singapore in respect of collaboration of large-scale container berths and also entered into a formal collaboration with Hutchison Port Holdings Trust for the efficient co-management and operation of berths at container terminals at Kwai Tsing in Hong Kong. These strategic moves have enhanced the competitiveness of the Group's terminals network and paved the way for the pursuit of its strategic objective of globalisation and long-term co-operation with the shipping alliances.

In 2017, COSCO SHIPPING Ports took a big step forward to integrate its domestic terminal operations and consolidate further its leading position in the Greater China region. On 20 January 2017, the Group announced that it entered into a transaction agreement and a strategic co-operation agreement with QPI. The Group will acquire 1,015,520,000 non-circulating domestic shares in QPI, representing approximately 16.82% of the issued share capital of QPI as enlarged by the issuance of the subscription shares and the relevant H shares, and will hold approximately 18.41% of the share capital of QPI upon completion of the transaction. The transaction was approved by shareholders at the special general meeting held on 10 March 2017 and the Group is in the course of preparation for completion. The increased investment in QPI is in line with the Company's strategy of enhancing control over terminal assets and transitioning from investing in single container terminals to investing in entire ports. It will enable the Group fully to tap into the growth potential of Qingdao Port and achieve sustainable growth. The Group's influence in Qingdao Port will also be enhanced and it will be able to participate in the management of the entire port district.

Overall Management And Awards

COSCO SHIPPING Ports' efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2016, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- "Gold Award in Corporate Governance, Environmental Responsibility and Investor Relations" from The Asset magazine;
- "Outstanding China Enterprise Award" from Capital magazine for the fifth consecutive year;
- "Best Investor Relations Company" from Corporate Governance Asia magazine for the fifth consecutive year;
- "Shipping In-House Team of the Year" from Asian Legal Business, a well-recognised professional magazine, for the fourth consecutive year;
- Named amongst the top 10 in-house legal teams of the "Most Innovative In-House Legal Team" Ranking by Financial Times, a well-recognised business newspaper; and
- The 2015 Annual Report was awarded "Excellence Award for H Share & Red Chip Entries" by Hong Kong Management Association and recognised with "Chairman's Letter Silver Award" and "Written Text Honors" in the Marine Transportation category at the 2016 ARC Awards.

Investor Relations

COSCO SHIPPING Ports pays high attention to its investor relations. Management of the Company introduces the Group's operation, management, development strategy and prospect to its corporate stakeholders through activities such as press conferences, road shows and individual meetings. During the year, the Company met with a total of 214 investors and related personnel, 66% of which were fund managers, 17% of which were analysts, 2% of which were investment bankers and 15% were media representatives. Besides, the Company conducted three road shows and attended three investor forums as well as organised one visit to its terminals for investors.

Prospects

In 2017, the global economy and the shipping industry are expected to grow faster, but caution regarding policy risk is essential. According to the IMF forecast, the global economy will grow by 3.4% year-on-year in 2017, 0.3 percentage points higher than the growth rate in 2016. Of particular note, economic activity will accelerate in both emerging markets and developing economies. Stronger global economic growth is expected to stimulate global trade and the container shipping industry. The IMF forecast that global trade in 2017 will grow by 3.8% year-on-year, more than double the growth rate of 1.9% in 2016. Furthermore, in its report dated October 2016, Drewry forecast that global container throughput in 2017 would grow by 2.4% year-on-year, 1.1 percentage points higher than the 1.3% recorded in 2016. However, there is significant uncertainty about the policy trends of the new US government. The political situation indicates that the consensus on cross-border economic integration is weakening, which, together with a return to championing local manufacturing and the rise of protectionism, may pressure the development of global trade.

Within this context, the business environment for the global shipping industry is constantly changing. The new landscape of strategic alliances among shipping companies is gradually taking shape, and the influence of shipping companies in the global shipping industry is steadily increasing. It has therefore particularly important for terminal operators to maintain a long-term relationships with shipping alliances based on mutual trust and benefit.

COSCO SHIPPING Ports has unique advantages arising from the support of the world's fourth largest container shipping fleet of its parent and the OCEAN Alliance, which delivers extensive business support and marked competitiveness in identifying and bidding for investment projects, and is a strong support for the Group's strategy of establishing global terminal footprint.

Last year, COSCO SHIPPING Ports completed its reorganisation, facilitating the integration of assets, corporate culture and personnel, and enhancing its internal execution capability. The reorganisation also gave the Company an opportunity to re-examine its own internal and external position, to deepen its understanding of the external environment and the Company's own strengths and weaknesses. This enabled the Company to formulate a new strategic plan for its long-term development and objectives over the next five years.

In accordance with the new strategic plan, the Company will strive comprehensively to improve its competitiveness in the following three areas: 1. expansion of the global terminals footprint; 2. generation of synergies between the Company and its parent's container shipping fleet and the OCEAN Alliance; 3. improvement in the management of and control over ports and terminals.

In line with its strategic objective of globalisation, the Company successively announced three overseas acquisitions in 2016. Among these acquisitions, Euromax Terminal in Rotterdam began to contribute throughput and profit in October 2016, while Khalifa Port Container Terminal 2 in Abu Dhabi and the reefer terminal and Vado Container Terminal in Italy were also key investments. This has laid a solid foundation for the Company to seize global market share and strengthen its competitive advantages.

Regarding the management of and control over ports and terminals, the Company recently completed its strategic investment in QPI. This has enabled us to expand our involvement from operation of the terminal to management of the whole port and our increased participation enables us fully to tap into the growth potential of the Qingdao Port. This new model of investment in an entire port indicates the strategic direction for our future business in mainland China.

The Company believes effective implementation of its strategies will improve the quality of its terminal assets and management, which will support sustainable business development and improve overall profitability of the Company. Based on 2016, the Group strives for its five-year goals to achieve 50% growth in total assets, 60% growth on equity throughput and to double its net profit from continuing operations by 2021, consequently create long-term values for shareholders.

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2016 final results announcement is available on the Company's website (http://ports.coscoshipping.com) and the designated website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk).
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