



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

CORPORATE PRESENTATION

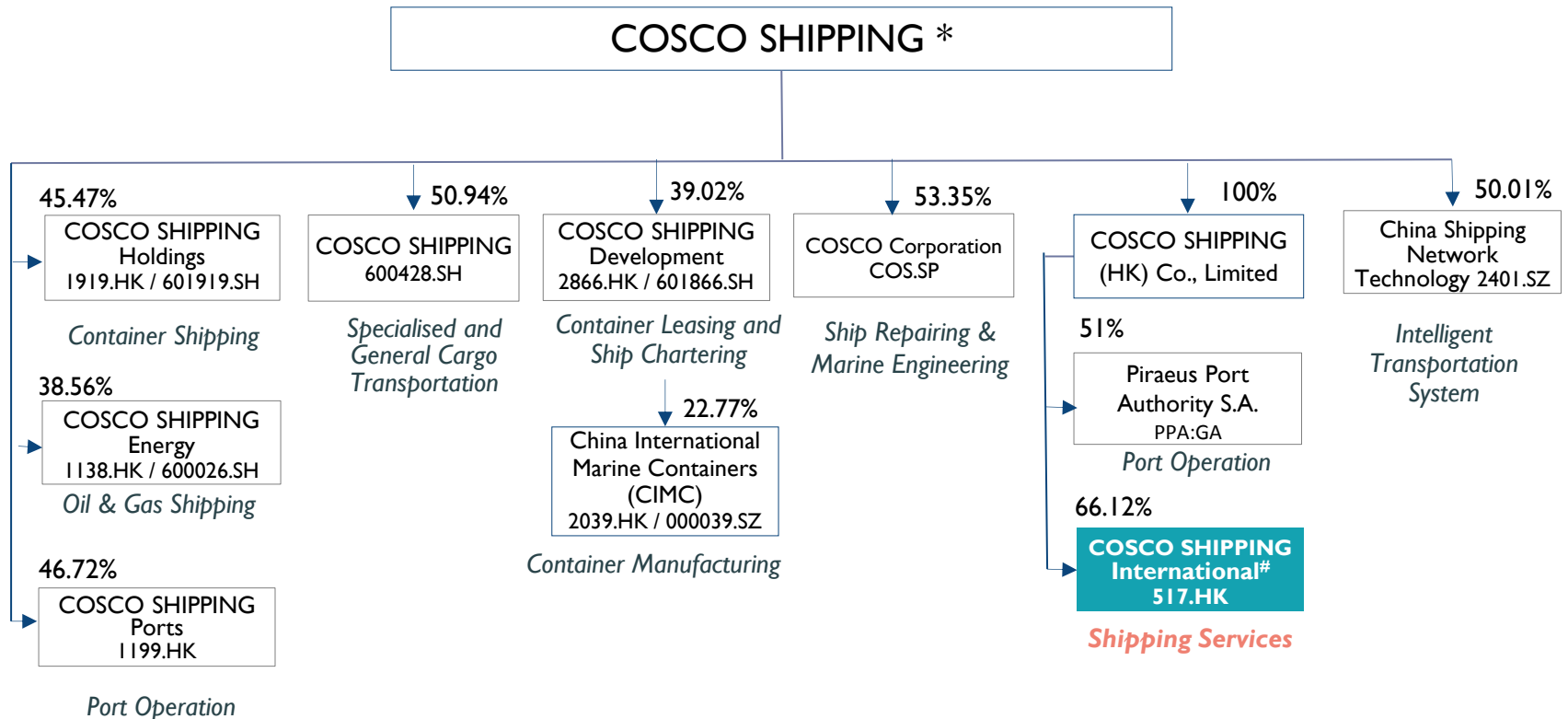
April 2017

Agenda

- Corporate Profile
- Investment Highlights
- 2016 Annual Results
 - Financial Review
 - Business Review
- Prospects

Corporate Profile

Position in China COSCO Shipping Corporation



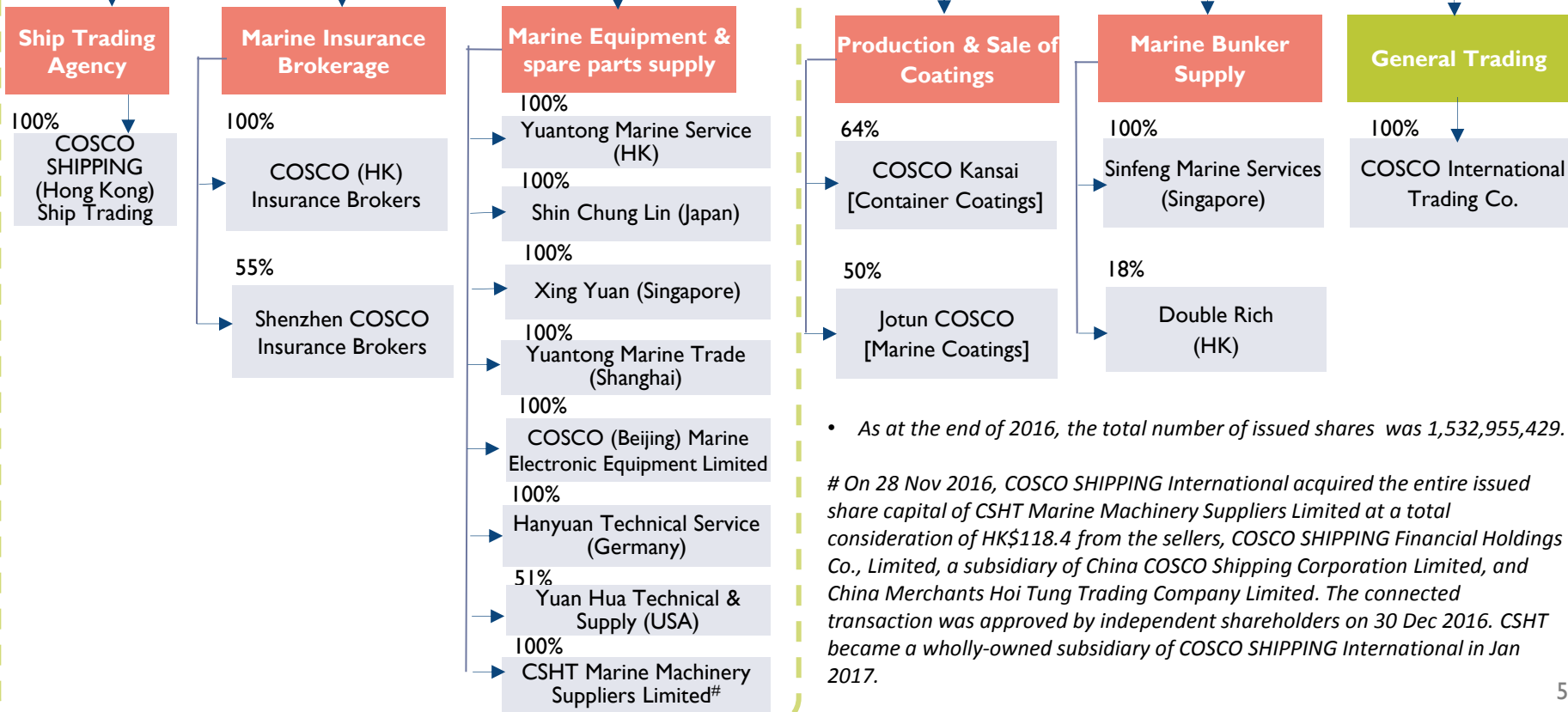
* China COSCO Shipping Corporation Limited (“COSCO SHIPPING”), a merger of COSCO Group and China Shipping Group, was established on 5 Feb 2016 in Shanghai. It comprises 1,114 vessels with a capacity of 85.32 mn DWT, ranking No.1 in the world. The vision of China COSCO Shipping is to build a world-leading business entity that provides integrated logistics and supply chain services.

The name of the Company has been changed from “COSCO International Holdings Limited” to “COSCO SHIPPING International (Hong Kong) Co., Ltd.” with effect from 16 Nov 2016.

Corporate Structure



Centralised Procurement Platform for COSCO SHIPPING’s Fleet



• As at the end of 2016, the total number of issued shares was 1,532,955,429.

On 28 Nov 2016, COSCO SHIPPING International acquired the entire issued share capital of CSHT Marine Machinery Suppliers Limited at a total consideration of HK\$118.4 from the sellers, COSCO SHIPPING Financial Holdings Co., Limited, a subsidiary of China COSCO Shipping Corporation Limited, and China Merchants Hoi Tung Trading Company Limited. The connected transaction was approved by independent shareholders on 30 Dec 2016. CSHT became a wholly-owned subsidiary of COSCO SHIPPING International in Jan 2017.

Business Overview

	Ship Trading Agency	Marine Insurance Brokerage	Marine Equipment & Spare Parts Supply	Coatings	Marine Bunker Supply
General Description	<p>As the “sole agent” for COSCO SHIPPING’s fleet to provide centralised procurement, and about 70% of the total revenue from these three segments are from the services to COSCO SHIPPING fleet</p> <ul style="list-style-type: none"> Represents ship owners to negotiate with shipyards in shipbuilding projects, and provides agency services in trading of secondhand vessels and demolition of obsolete vessels Majority of commission income is generated from newbuilding, which is based on ship price 	<ul style="list-style-type: none"> Provides insurance intermediary services to vessels on behalf of ship owners, including risk assessment, designing insurance policies, placing insurance cover, advice on loss prevention, claims handling, etc. Brokerage commission is generally based on insurance premium 	<ul style="list-style-type: none"> Helps ship owners purchase, install and repair marine equipment and spare parts Provides procurement and technical service upon order 	<ul style="list-style-type: none"> Two JVs produce and sell container coatings (COSCO Kansai, 64%-owned), and marine coatings (Jotun COSCO, 50%-owned) Container coatings are delivered in about one week upon order, and newbuilding marine coatings are delivered during the shipbuilding process, i.e. 1-3 years after the contracting Major raw materials are petroleum refined products and metals 	<ul style="list-style-type: none"> Sinfeng (100%-owned) and Double Rich (18%-owned) help ship operators arrange bunkering in Singapore and Hong Kong respectively Business model of earning fixed dollar margin and not taking inventory make the net profit free from oil price fluctuation
Customers	About 80-90% revenue comes from COSCO SHIPPING Group	About 60% revenue comes from COSCO SHIPPING Group	About 70-80% revenue comes from COSCO SHIPPING Group	<ul style="list-style-type: none"> Container manufacturers Major Chinese shipyards 	Ship owners and operators outside COSCO SHIPPING Group
Driving Factors	<ul style="list-style-type: none"> Ship owners’ regular demand for new build ships for replacement and scrapping obsolete ships so as to maintain competitive shipping capacity Ship owners pursue larger, younger, and more advanced ships to improve efficiency and profitability 	<ul style="list-style-type: none"> Existing shipping capacity Threats on the safety of ship operation, such as war affairs and pirates activity 	<ul style="list-style-type: none"> 90% revenue comes from maintenance demand of existing shipping capacity 	<ul style="list-style-type: none"> Demand & ASP of container coatings is driven by the output & ASP of newbuild containers in China Contracting volume of marine coatings is driven by the newbuilding contracts at Chinese shipyards, while income is recognized upon the coatings delivery 	Consumption of marine bunker by ships calling at the ports in Singapore and Hong Kong
Business Highlights	<ul style="list-style-type: none"> High earnings visibility: commission income from newbuilding is fixed in the shipbuilding contract, and is recognized at 5 stages along with the whole shipbuilding progress, while the major part of commission recognised upon delivery 	<ul style="list-style-type: none"> Proved stable growth: most marine insurance policies are renewed on yearly basis Development of new insurance products contributes to the growth in recent years 	<ul style="list-style-type: none"> Owns a global network of sales, procurement, and technical service in Asia, Europe and the USA Capitalises on the economies of scale from business volume with COSCO SHIPPING Group 	<ul style="list-style-type: none"> Proprietary and advanced technology make both brands as market leaders Four plants in China, i.e. Tianjin, Shanghai (newly relocated), Zhuhai and Qingdao 	Prudent operational strategy and stringent risk management

COSCO SHIPPING Raises Stake in COSCO SHIP INTL to 66.12%

Parent company has been showing its confidence in COSCO SHIP INTL by raising its stake

A. COSCO Group purchased 51,416,000 shares in open market in 2008.

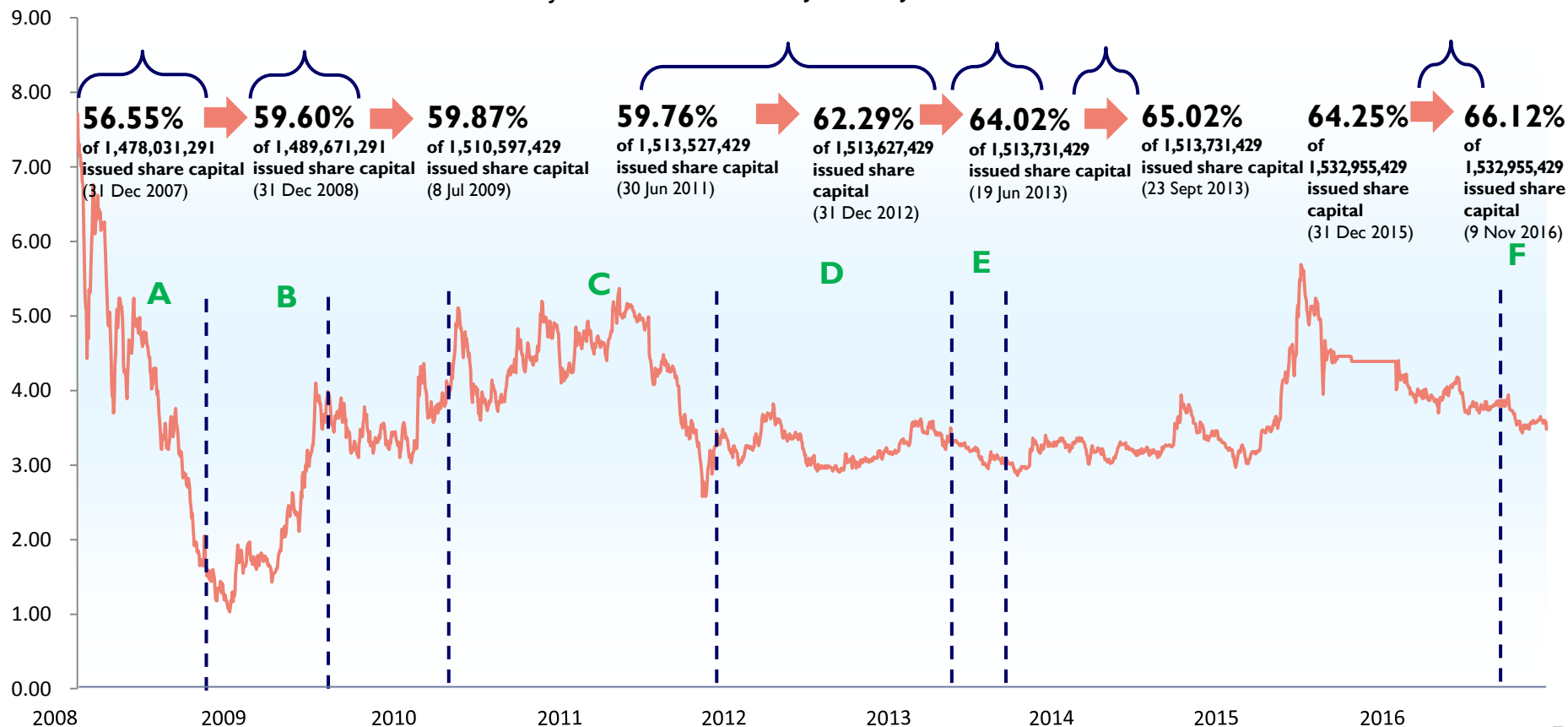
B. In Jun/Jul 2009, COSCO Group increased 17,221,775 shares as scrip dividend.

C. COSCO Group bought a total of 38,426,240 shares in open market from 30 Jun to 31 Dec 2011.

D. COSCO Group bought a total of 26,370,000 shares in open market from 1 Jan to 19 Jun 2013.

E. COSCO Group bought a total of 15,074,000 shares in open market from 19 Jun to 23 Sept 2013.

F. COSCO SHIPPING bought a total of 28,697,200 shares off the market on 9th Nov 2016.



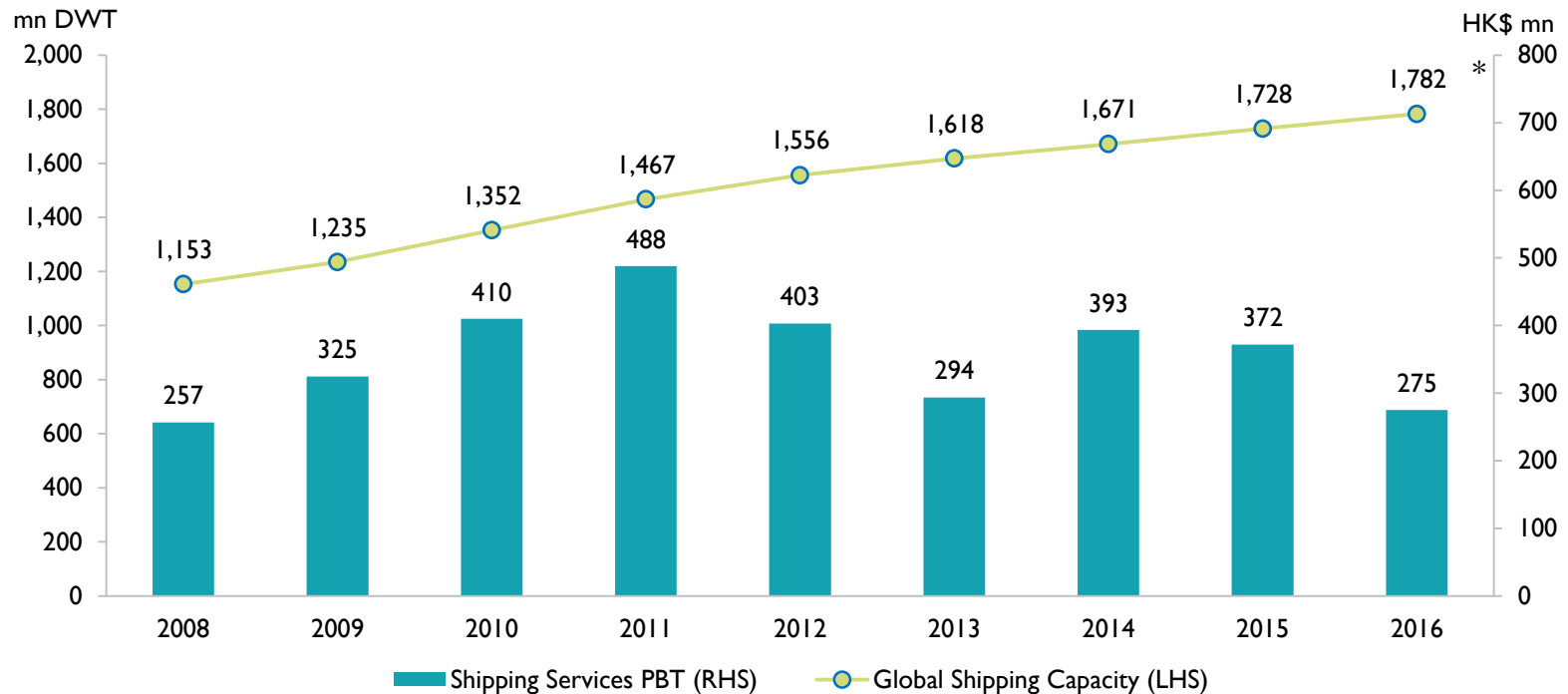
Investment Highlights



(I) Beneficiary of Shipping Capacity

Shipping services is

- driven by shipping capacity growth and ship owners' fleet restructuring activity
- not affected by short-term fluctuation of freight rate, distinct from shipping companies

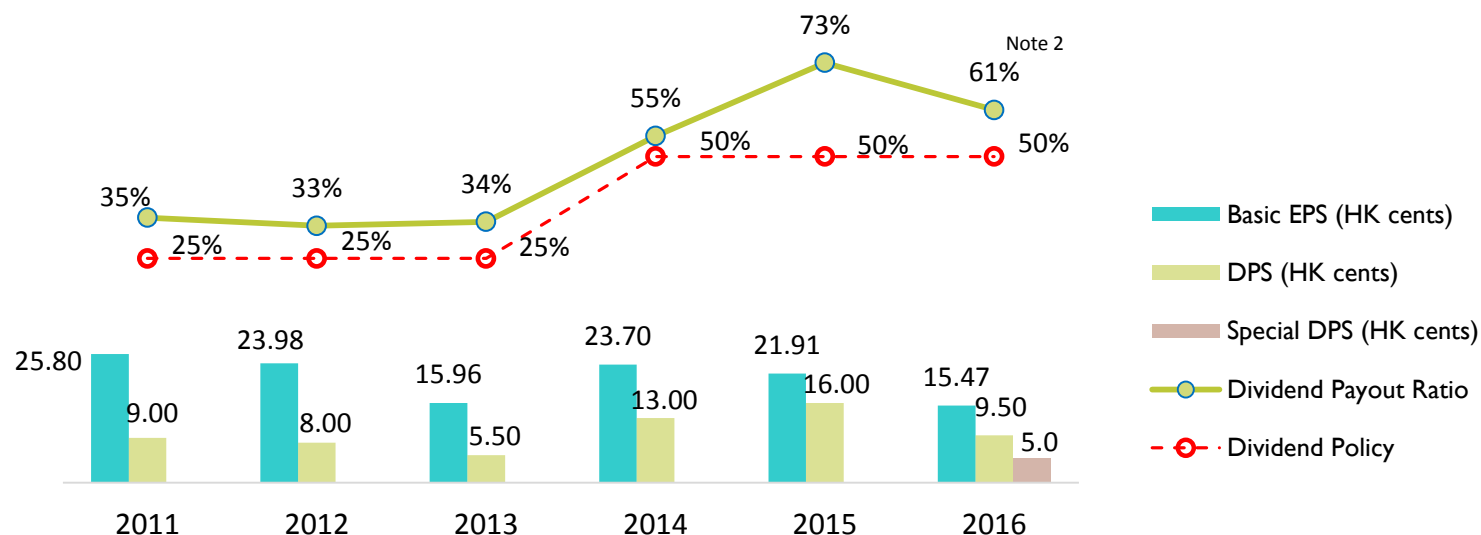


Note:

1. Prolonged trough of shipping market resulted in tightened cost control measures and deferral in the replacement of obsolete vessels by ship owners, which reduced the demand for shipping services, e.g. during the period from 2011 to 2013.
2. In 2016, the shipping services PBT declined year-on-year was mainly attributable to the marked decline in gross profit of container coatings resulted from a lower demand in new container boxes, and keen competition.

(2) Stable Dividend Payout Policy

- The dividend policy of the Company is to pay no less than 50% of the profit attributable to equity holders of the Company as annual dividend, prior to practical progress in major investment project(s) in the future^{Note 1}.
- In 2016, to celebrate the 20th anniversary of the Company's being a listed subsidiary of COSCO SHIPPING (Hong Kong), a special dividend of 5 HK cents per share was recommended, total dividends per share for the year 2016 are 14.5 HK cents.



Note:

1. In case, the Company publishes major transaction announcement in relation to investment projects, the annual dividend payout ratio of the Company will maintain at the level of no less than 25% of net profit, subject to the results, availability of distributable reserves and cash flow of the Company at that time.

2. The dividend payout ratio for 2016 was 61.4%, excluding the special dividend.

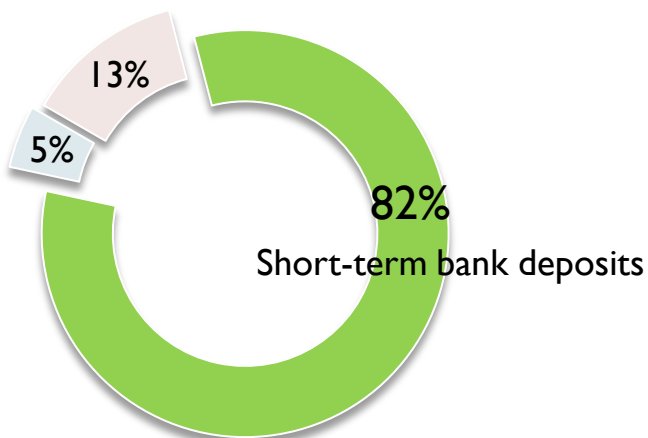
(3) Healthy Operating Cash Flow & Strong Cash Position

Net cash flows from operating activities in 2016: HK\$401mn (2015: HK\$421mn)

Net cash of HK\$6.65 bn* on hand as at the end of 2016 to support future acquisition and business expansion

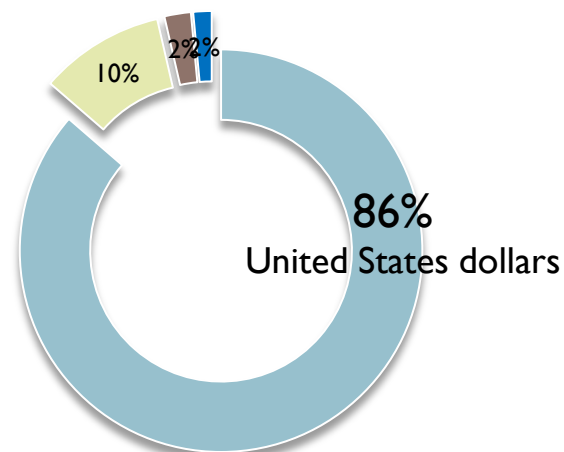
- 82% of the cash was allocated as short-term bank deposits with an average return of 1.4% in 2016.
- 88% of the Group's total deposits and cash and cash equivalents are denominated in United States dollars & Hong Kong dollars.

Breakdown of Cash by Deployment



- Deposits with a fellow subsidiary
- Short-term bank deposits & restricted bank deposits
- Cash at bank and on hand

Breakdown of Cash by Currency



- United States dollars
- Renminbi
- Hong Kong dollars
- Others

* As at the end of Dec 2016

(4) Consolidation of similar businesses from China Shipping Group

○ **Completion of Acquisition of Equipment Supply Business**

- On 28 Nov 2016, COSCO SHIPPING International entered into the share purchase agreement with COSCO SHIPPING Financial Holdings Co., Limited and China Merchants Hoi Tung Trading Company Limited to acquire 100% equity interest in CSHT Marine Machinery Suppliers at a consideration of HK\$118 mn. The connected transaction was approved by independent shareholders on 30 Dec 2016. CSHT Marine Machinery Suppliers became a direct wholly-owned subsidiary of the Company on 1 Jan 2017.

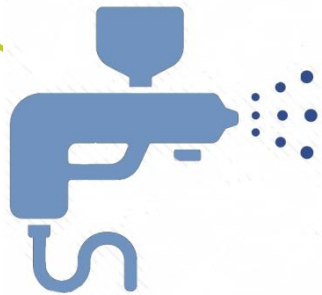
○ **Merging of ship trading agency business**

- Employees of the ship trading agency arm of China Shipping Group have been merged into COSCO SHIPPING (Hong Kong) Ship Trading Company Limited* since Feb 2017.

○ **Study in areas related to shipping services has been ongoing.**

*: *COSCO SHIPPING (Hong Kong) Ship Trading Company Limited was formerly known as COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company, engaging in the provision of agency services relating to ship building, ship trading and chartering for the fleet of COSCO SHIPPING Group.*

2016 Annual Results- Financial Review



Financial Summary

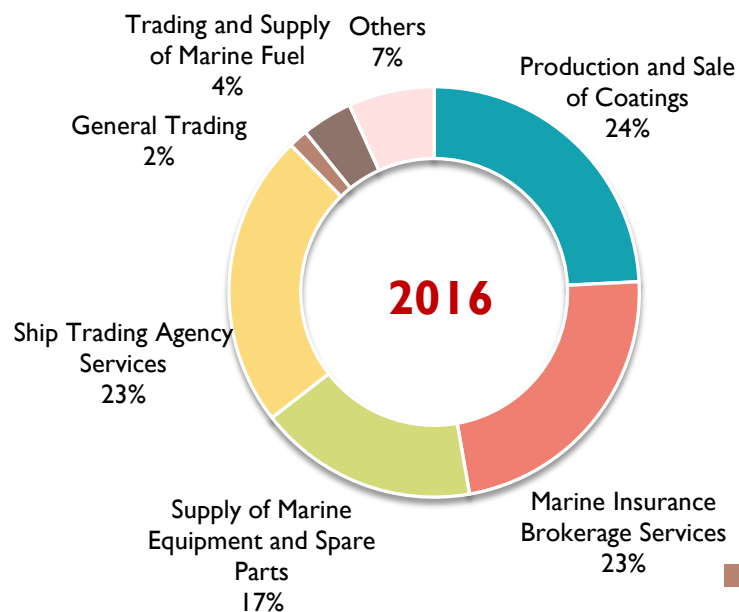
(HK\$ mn)	2016	2015	Changes
Revenue	7,430	6,000	+24%
Gross profit	544	691	-21%
Gross profit margin	7.3%	11.5%	-4.2ppts
Other income and gains	35	86 ¹	-60%
Selling, administrative and general expenses	(447)	(537)	-17%
Other expenses and losses	(18) ²	(44)	-59%
Operating profit	113 ³	195	-42%
Finance income	91	115	-21%
Finance costs	(4.4)	(3.8)	+16%
Share of profits of joint ventures	90	110	-18%
Share of profits of associates	10	12	-12%
Profit before income tax	300	428	-30%
Income tax expenses	(64)	(66)	-3%
Profit attributable to:			
Equity holders of the Company	237	336	-29%
Non-controlling interests	(1)	26	-103%
Basic earnings per share (HK cents)	15.47	21.91	-29%

Note: 1. Including government subsidy income of HK\$50.47 mn granted to the coatings subsidiary COSCO Kansai, which was to compensate for all the relevant additional costs incurred during the relocation of the old plant due to the urban planning of Shanghai, and a reversal of provision for impairment of certain other receivables of HK\$18.57mn mainly under general trading segment in 2015, but no these items in 2016.

2. Include an exchange loss of HK\$7.43mn (2015: HK\$41.82mn).

3. Decrease in finance income was mainly due to the decrease in interest income from cash on hand with a return rate of 1.4% (2015:1.86%).

Profit Breakdown



Profit Before Income Tax (HK\$ mn)	2016	2015	Changes
Shipping Services	275	372	-26%
Ship Trading Agency Services	70	62	+13%
Marine Insurance Brokerage Services	69	67	+3%
Supply of Marine Equipment and Spare Parts	52	46	+11%
Production and Sale of Coatings	73	185	-61%
Trading and Supply of Marine Fuel	12	12	-1%
General Trading	5	23	-80%
Others*	20	33	-37%
Total	300	428	-30%

Financial Position & Financial Ratio Highlights

(HK\$ mn)	As at 31 Dec 2016	As at 31 Dec 2015	Changes
Total assets	9,388	9,467	-1%
Trade receivables (net)	646	769	-16%
Total deposits and cash	6,722	6,261	+7%
Total liabilities	1,342	1,368	-2%
Bank borrowings	67	36	+86%
Equity (excluding non-controlling interests)	7,702	7,729	-0.3%
Net cash	6,655	6,225	+7%
NAV per share (HK\$)	5.02	5.04	-0.4%
Net cash per share (HK\$)	4.34	4.06	+7%
	2016	2015	Changes
Return on total assets (ROA)	2.5%	3.5%	-1.0ppt
Ex-cash ROA ¹	5.0%	6.6%	-1.6ppts
Return on equity (ROE)	3.1%	4.3%	-1.2ppts
Ex-cash ROE ²	11.8%	14.3%	-2.5ppts

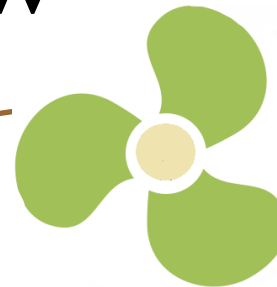
Note:

1. The Ex-cash ROA is calculated as dividing the profit attributable to equity holders which excludes the net finance income by the average total assets which excludes the net cash.
2. The Ex-cash ROE is calculated as dividing the profit attributable to equity holders which excludes the net finance income by the average shareholder's equity which excludes the net cash.

Cash Flow Summary

(HK\$ mn)	2016	2015
Cash & Cash Equivalents - Beginning	1,115.2	1,164.7
Cash Inflow/(outflow)		
Net cash generated from operating activities	400.9	421.3
Net cash used in investing activities	(39.2)	(189.6)
Net cash used in financing activities	(171.6)	(254.1)
Net (decrease)/ increase in cash and cash equivalents	190.1	(22.4)
Exchange loss	(23.4)	(27.2)
Cash & Cash Equivalents – Ending	1,281.9	1,115.1
Plus: cash investments with maturity more than three months from date of placement	5,439.5	5,145.0
Plus: restricted bank deposits	0.6	0.6
Total Deposits and Cash & Cash Equivalents - Ending	6,722.0	6,260.7

2016 Annual Results- Business Review

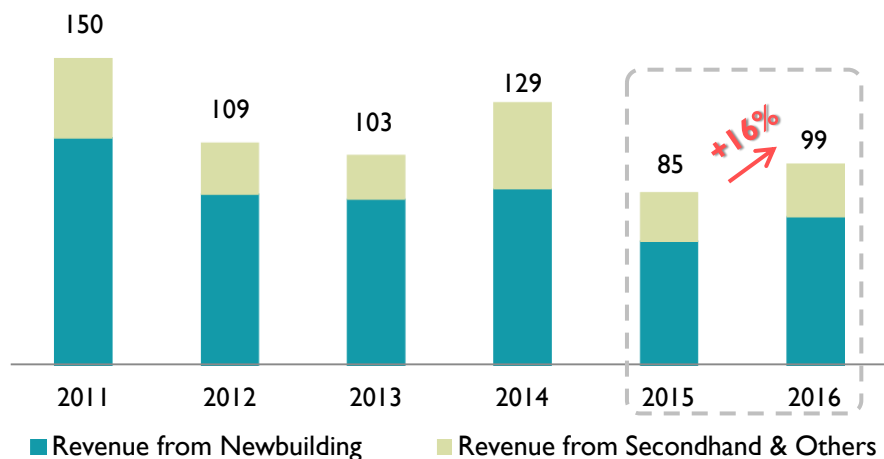


Business Review: Shipping Services (cont'd)

I. Ship Trading Agency Services

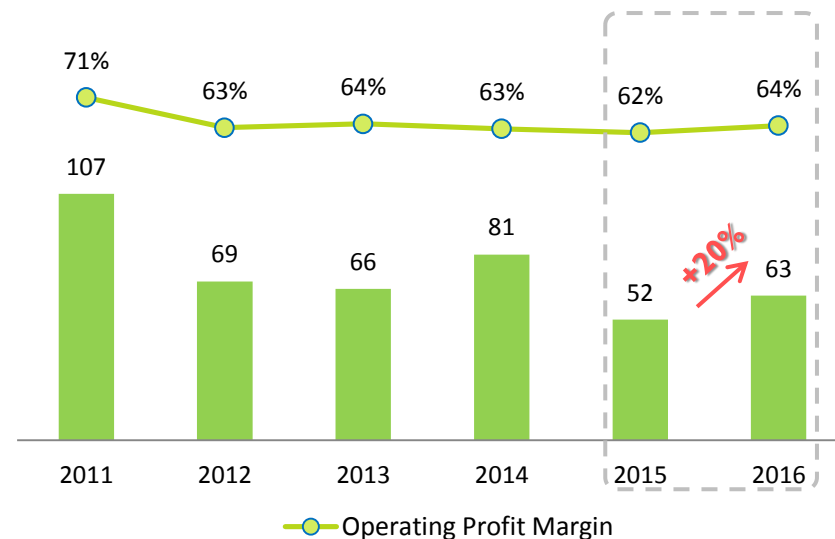
Revenue

HK\$ mn



Operating Profit

HK\$ mn



Orders through COSCO SHIPPING Ship Trading	2014		2015		2016	
	No. of vessels	mn DWT	No. of vessels	mn DWT	No. of vessels	mn DWT
Newbuild delivery	18	1.86	17	2.42	22	1.69
Newbuild contracts	58	5.15	30	3.79	17	4.14
Secondhand vessels	82	3.98	45	3.71	48	2.82
Orderbook on hand *	85	9.32	96	10.57	83	12.36

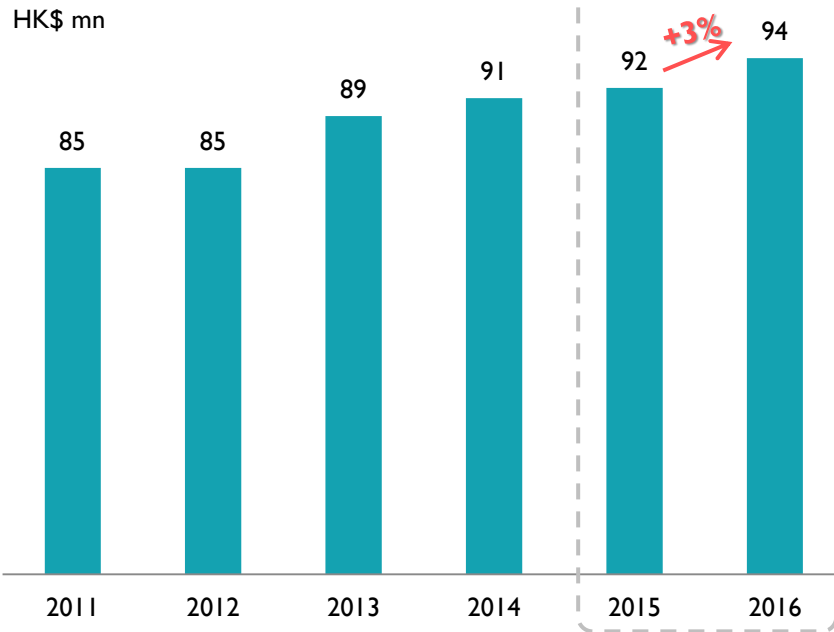
- The increases in both revenue and operating profit were attributable to the increases in the commission income from new build delivery and secondhand vessels.
- Orderbook on hand reached 83 vessels or 12.36 mn DWT as at the end of 2016, which were scheduled for delivery over the coming 3 years.

Business Review: Shipping Services (cont'd)

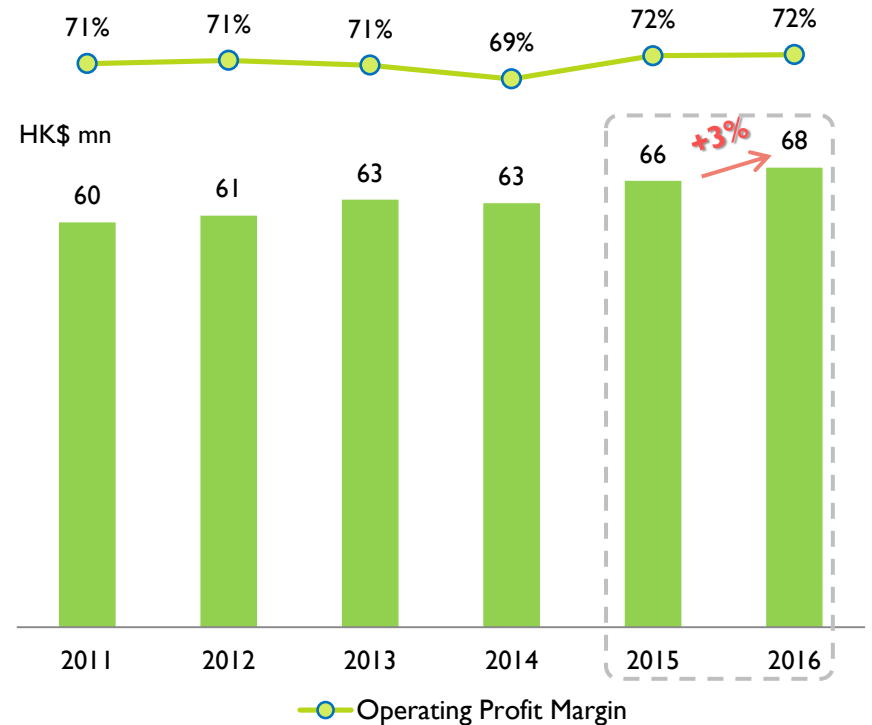


2. Marine Insurance Brokerage Services

Revenue



Operating Profit



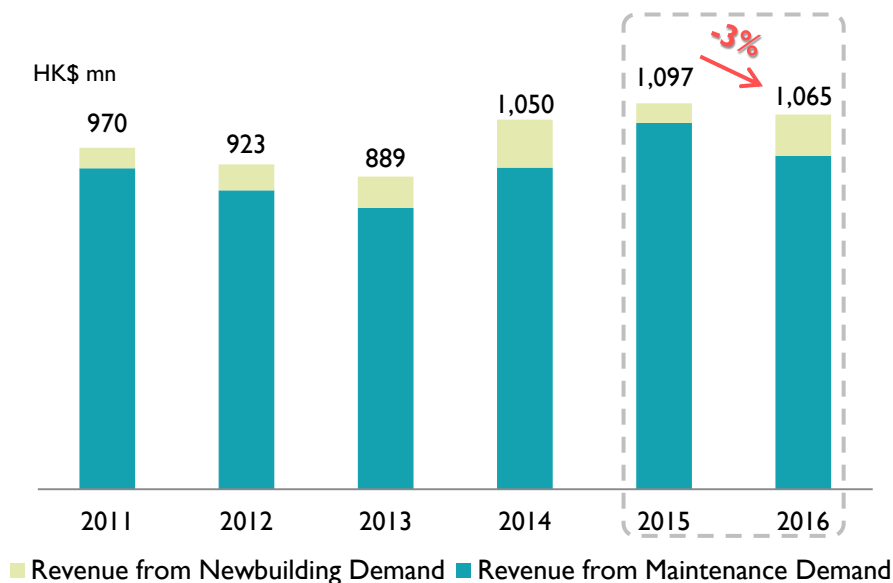
- COSCO Insurance Brokers achieved favourable results in the development of new customers outside COSCO Shipping and expansion of non-marine insurance products, such as credit insurance, motor vehicle insurance and terminal insurance, etc.

Business Review: Shipping Services (cont'd)

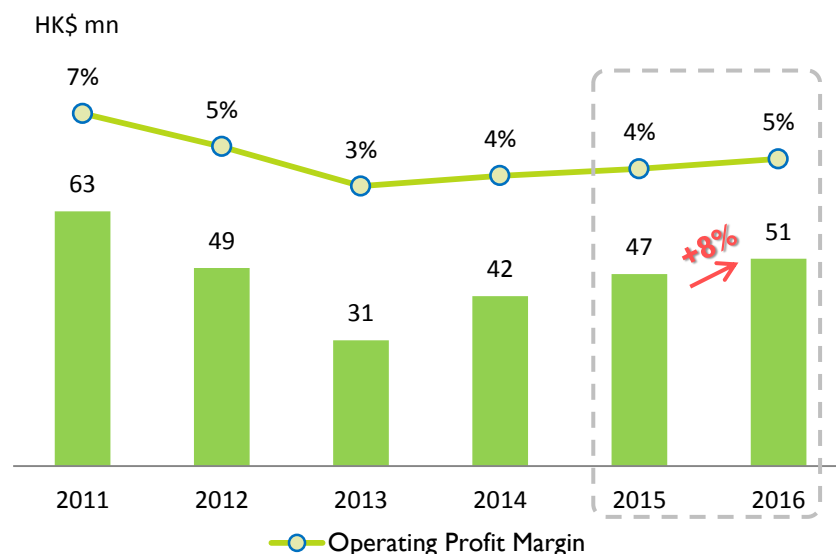
3. Supply of Marine Equipment and Spare Parts



Revenue



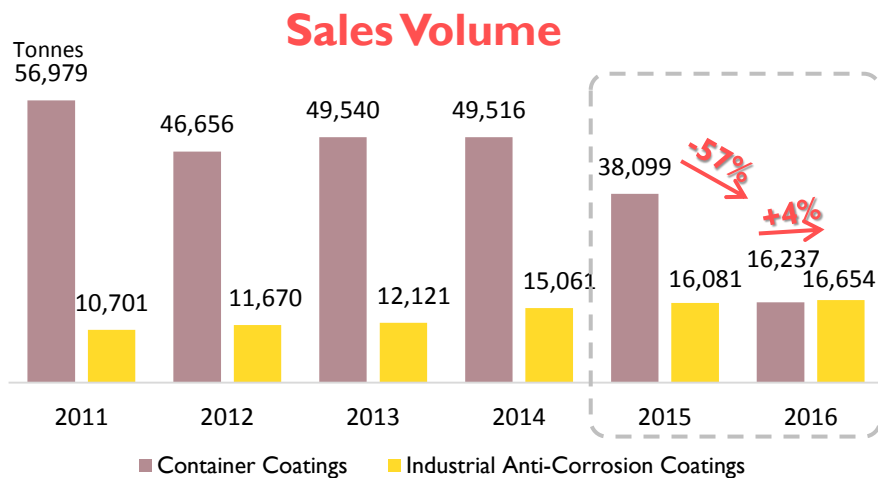
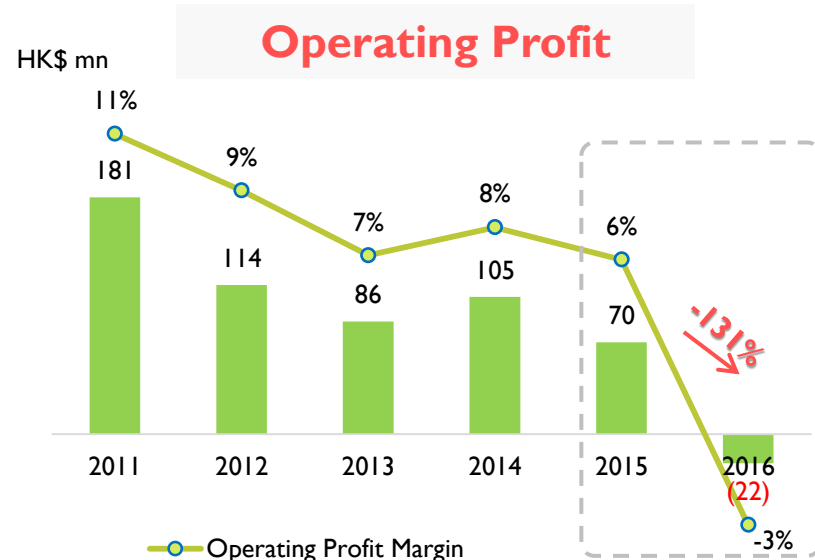
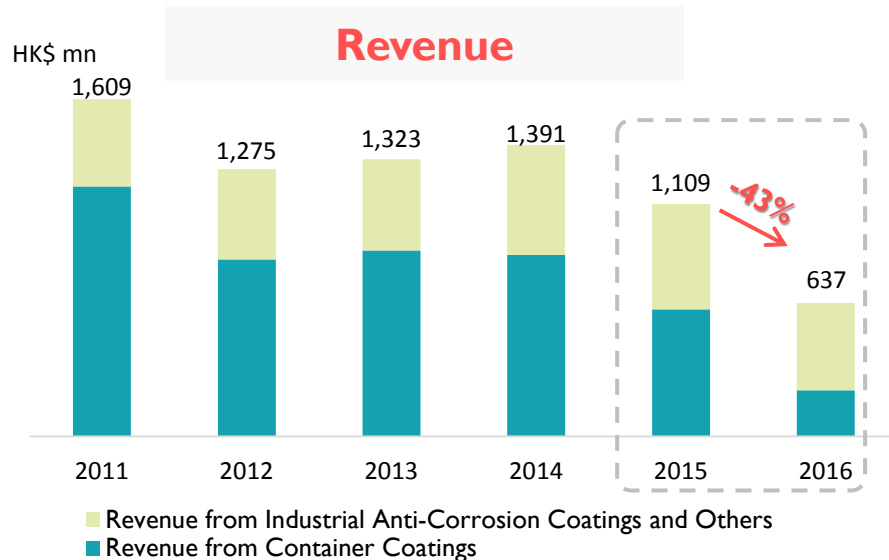
Operating Profit



- The decrease in revenue was due to a year-on-year drop in sales volume of spare parts for operating vessels following the fleet restructuring.
- The increase in operating profit was caused by stringent cost control and a reversal of HK\$1.76 mn of provision for impairment of trade receivables (2015: provision of HK\$4.06mn for impairment of trade receivables)

Business Review: Shipping Services (cont'd)

4. Production and Sale of Coatings: (I). Container & Industrial Anti-Corrosion Coatings by COSCO Kansai*



○ The decrease in revenue was mainly attributable to the marked decline in sales of container coatings resulted from the lowered demand in new container boxes and keen competition.

○ The operating loss was mainly caused by marked decrease in gross profit of container coatings, while the decline in fixed operation cost was limited.

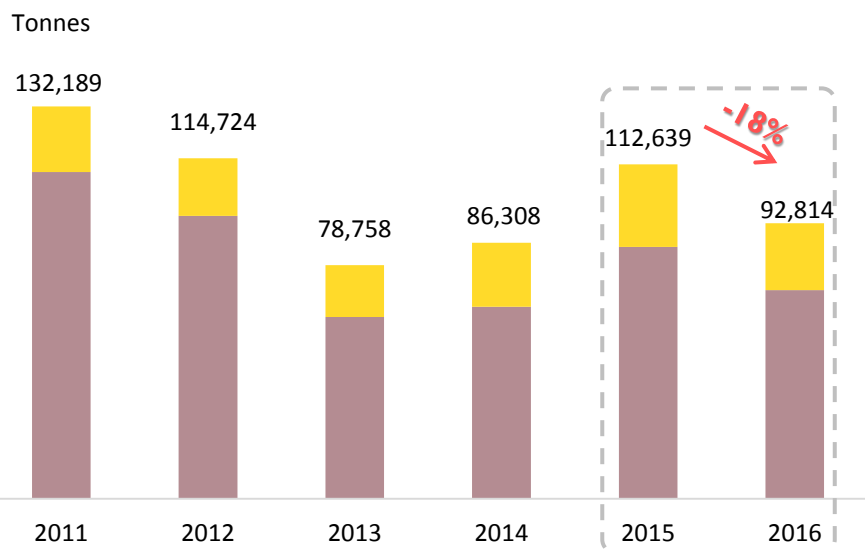
* 64%-owned subsidiaries with three plants in Tianjin, Shanghai and Zhuhai of China

Business Review: Shipping Services (cont'd)

4. Production and Sale of Coatings: (2). Marine Coatings by Jotun COSCO*



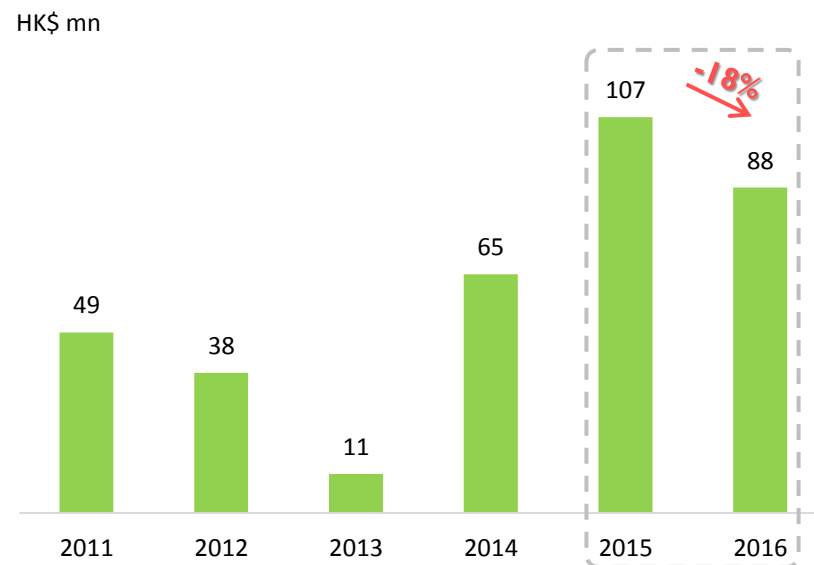
Sales Volume



■ Sales Volume from Maintenance & Repair ■ Sales Volume from Newbuilding

- The decrease in sales volume of marine coatings was attributable to decreases in sales volume of coatings from new building and maintenance and repair as compared to 2015.
- As at the end of 2016, Jotun COSCO had marine coatings contracts on hand for vessels of 34.69 mn DWT, which were scheduled for delivery over the coming 3 years.

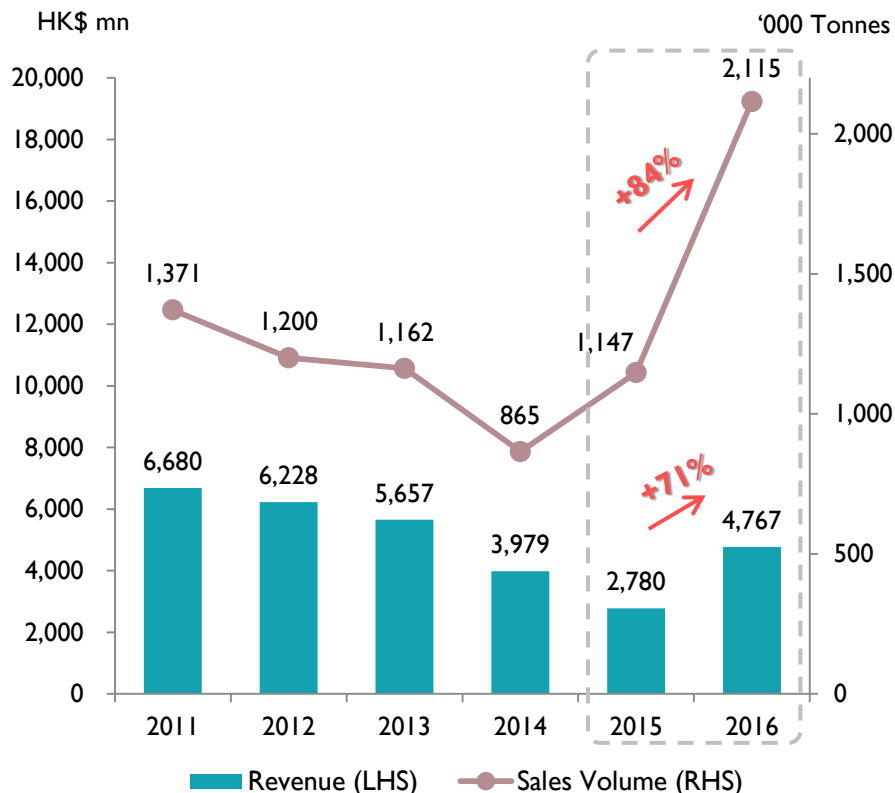
Share of Profit



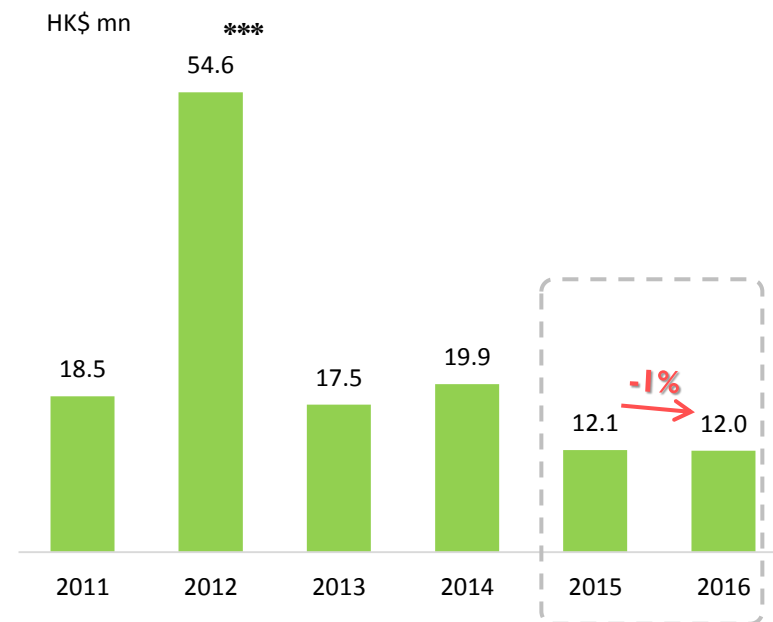
Business Review: Shipping Services (cont'd)

5. Trading and Supply of Marine Fuel

Revenue and Sales Volume*



Segment PBT**



- The increase in revenue was caused by the increase in sales volume of marine fuel.
- The decrease in segment PBT was mainly attributable to the decline in share of profit from the associate, Double Rich.

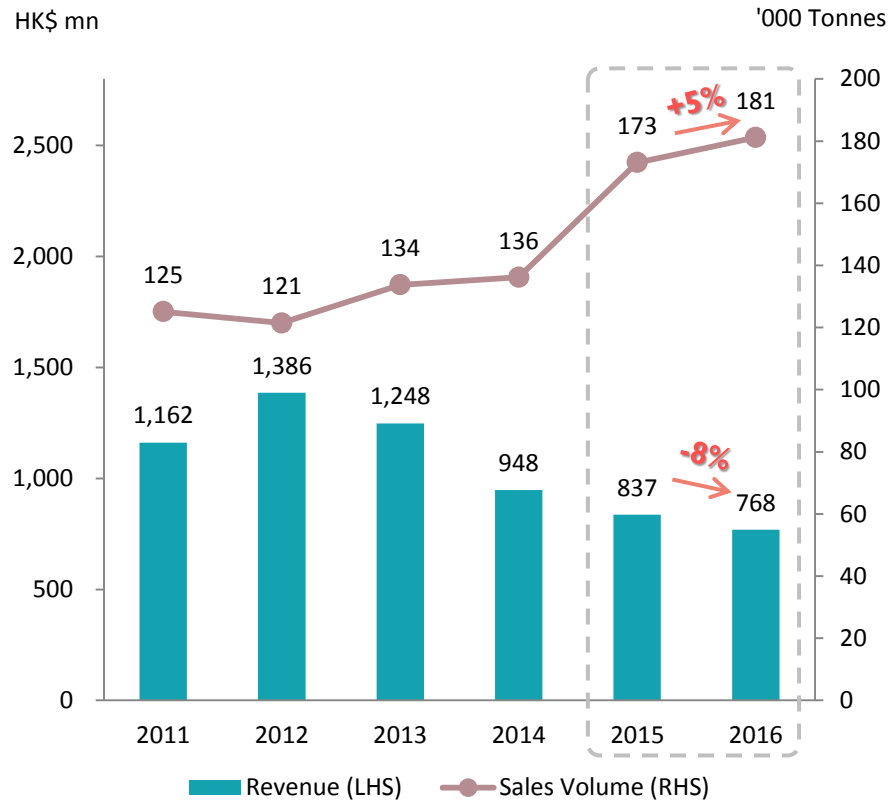
* Both revenue and sales volume are from the wholly-owned subsidiary, Sinfeng Marine Services, in Singapore

** Including the share of profit from a 18%-owned associate, Double Rich, in Hong Kong

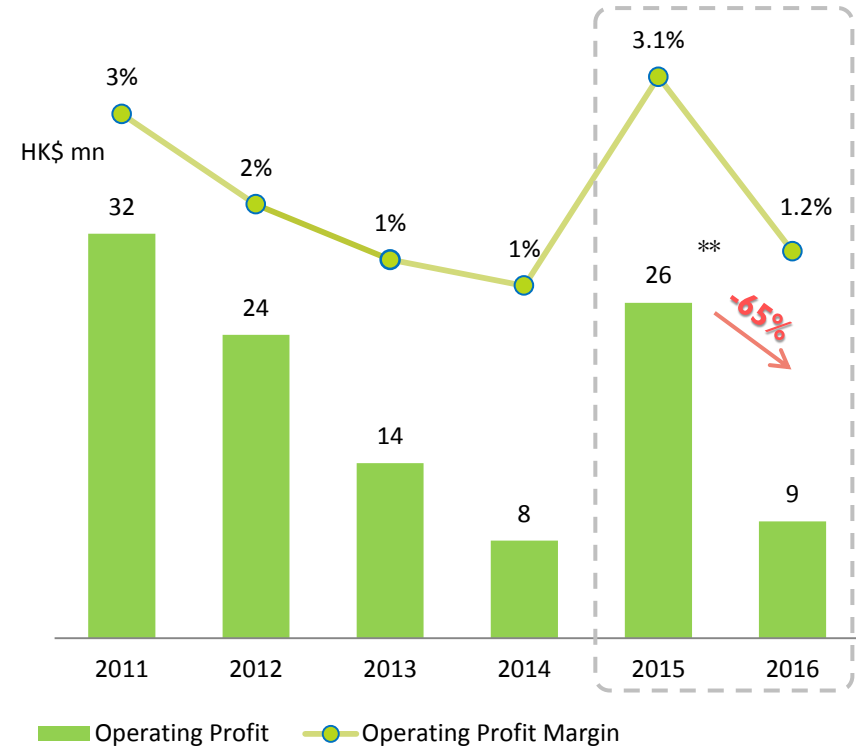
*** Including a reversal of provision for impairment of trade receivables of HK\$29.65 mn

Business Review: General Trading

Revenue* and Asphalt Sales Volume



Operating Profit

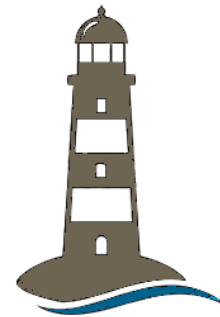


- The decline in revenue was mainly due to the drop in selling price of asphalt, a petroleum refined product.
- The sharp decline in operating profit was mainly due to a reversal of provision for impairment of certain other receivables of HK\$18.66 mn in 2015, while no such item in 2016.

* Including revenue from trading of asphalt and other comprehensive trading

** Including a reversal of provision for impairment of certain other receivables of HK\$18.66mn

Prospects



Outlook in 2017

Global Economy & Shipping Market

- Global economic growth is forecast to be faster than that in 2016.
- Although the overall imbalance between the supply and demand sides in the shipping sector still exists, it is expected to be relieved to a certain extent.
- The shipping market is on the rise and will become more rational. The structural recovery of the industry will further enhance market confidence.

Opportunities

- The further implementation of China's "Go Global" strategy and "One Belt, One Road" initiative will present enormous opportunities for Chinese shipping enterprises to develop new markets.
- COSCO SHIPPING International remains committed to optimising the industrial chain of shipping services and improve the service level of shipping related businesses, so as to achieve transformation and industrial upgrade, in accordance with the overall strategy of China COSCO Shipping Corporation.

Development Strategy

Vision: To become a World Class and Leading Shipping Services Company in China

Increase profitability of existing businesses

- To intensify the effort to develop non-COSCO SHIPPING customers and enhance business transformation and upgrade.
- To speed up non-marine insurance business growth by actively developing non-marine insurance products.
- To expand market share of marine equipment and spare parts through centralised marketing strategy.
- To promote the use and upgrade of water-based and green coating products, so as to increase market share.

Upgrade corporate governance

- To strengthen internal management and cost control.
- To introduce flat hierarchical management by lessening levels of hierarchy
- To strengthen management of risky project and minimise the scale of risk exposure
- To control foreign currency risk and customer credit risk
- To reinforce production management and optimise the work process
- To reduce resource wastage by stringent control on management fee and selling expense

Expand business coverage

- To consolidate the assets related to shipping services within COSCO SHIPPING
- To expand businesses outside COSCO SHIPPING
- To acquire potential assets related to the existing businesses in due course

Thank you!

For further information, please visit
the Company's website: www.coscointl.com



Company Secretarial & Investor Relations Department

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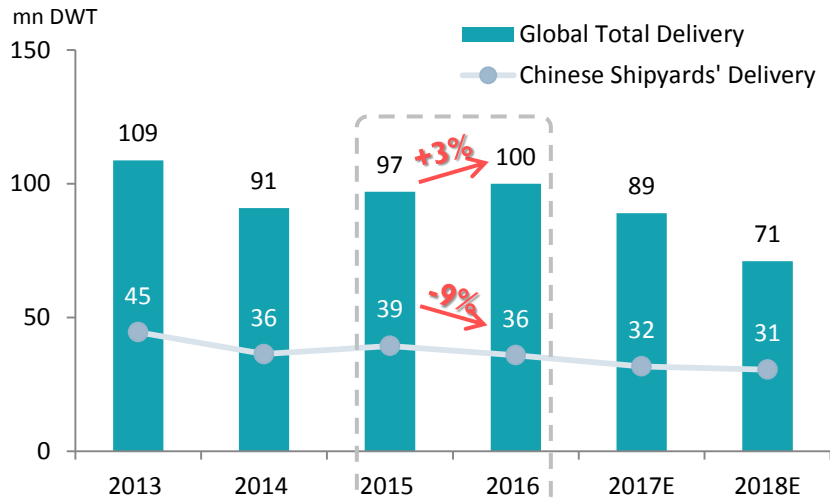
Email: chenyk@coscointl.com

Appendix

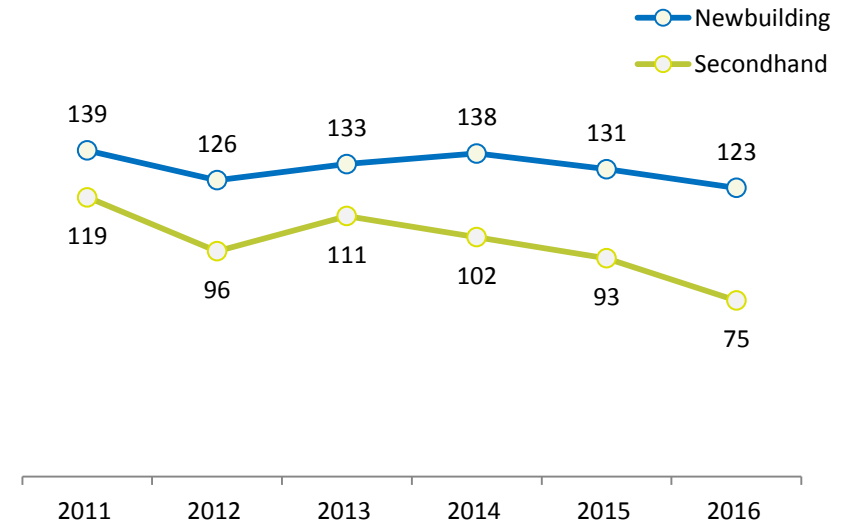


Market Review: (I) Delivery & Contracting of Newbuilding

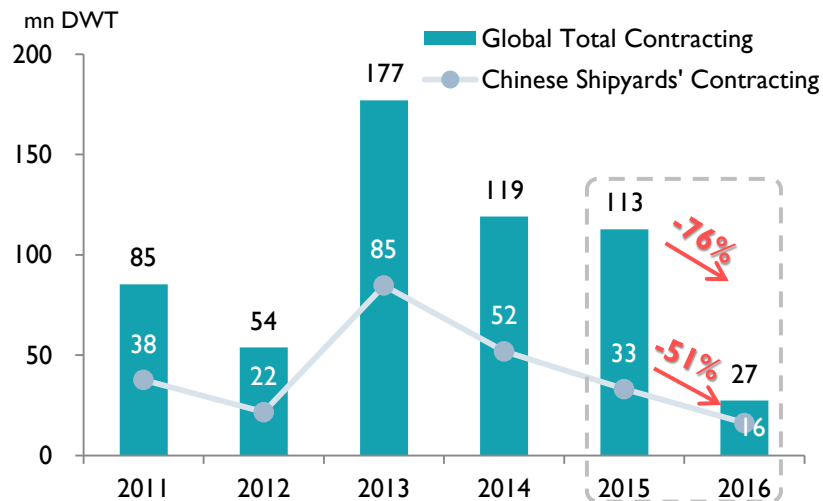
Newbuilding Delivery Trend



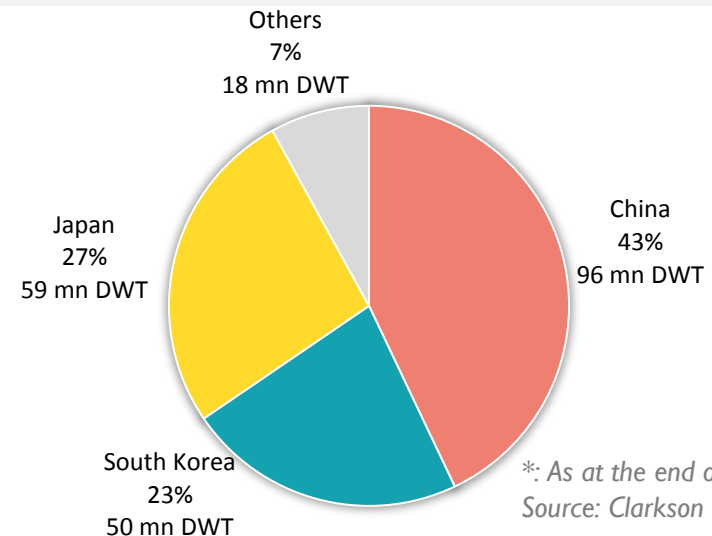
Clarkson Price Index



Newbuilding Contracting Trend



Breakdown of Orderbook by Builder Country*

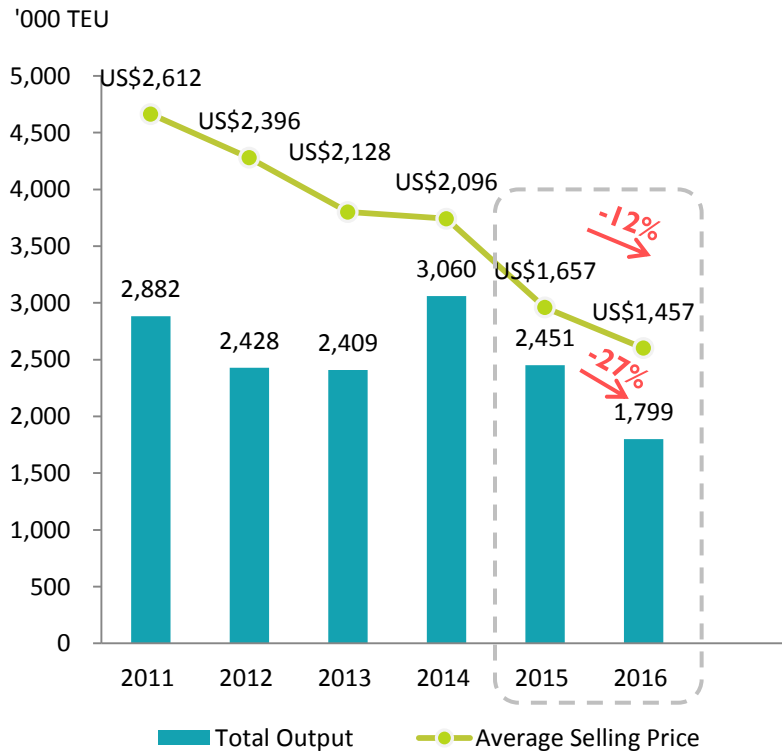


*: As at the end of Dec 2016
Source: Clarkson Research

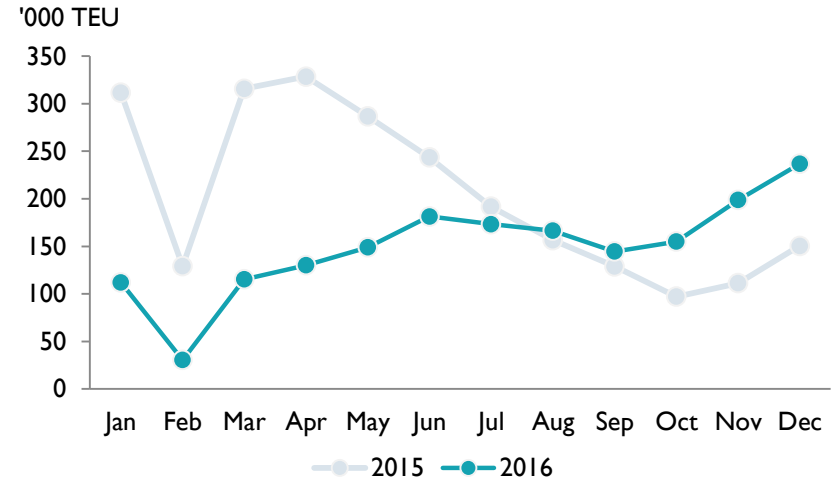
Market Review: (2) Output & ASP of Newbuild Containers

Drivers of Container Coatings' Demand & ASP

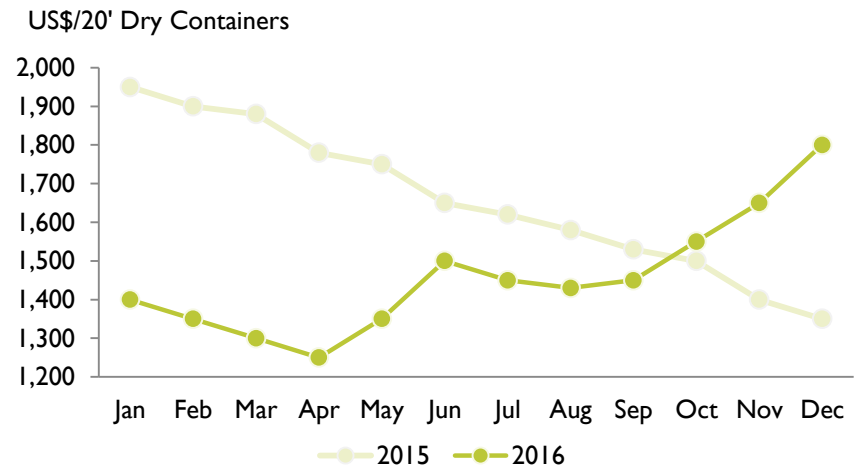
Output and Average Selling Price of Newbuild Containers in China



Monthly Output of Newbuild Containers in China

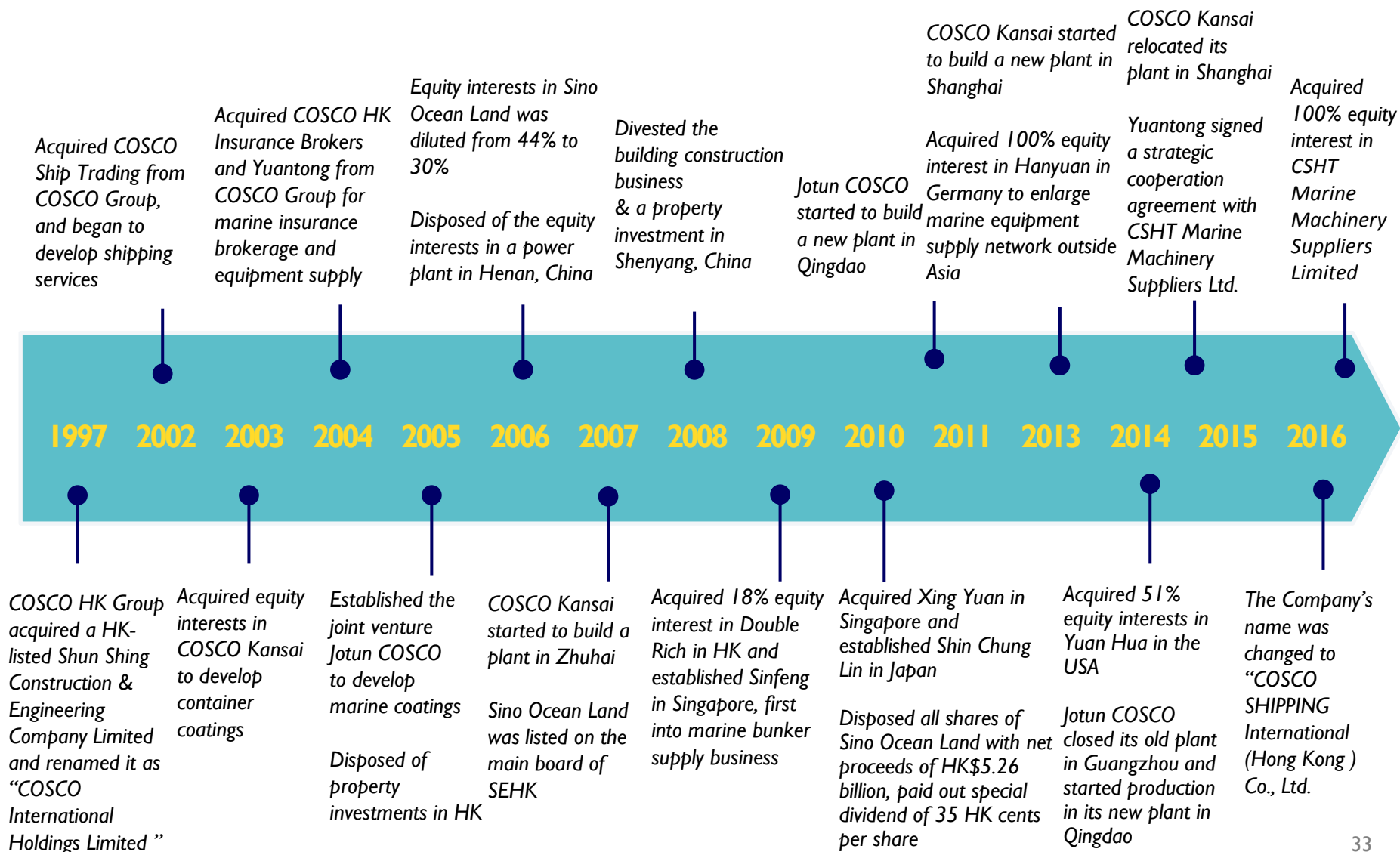


Monthly ASP of Newbuild Containers in China



Development Milestones in the past 20 Years

Strategic Transformation from a Conglomerate into a Shipping Services Provider



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