

FINANCIAL REVIEW

With the resurgence of world economy and trade in 2021, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US\$354,652,000 in 2021 (2020: US\$347,474,000), increased by 2.1% YoY. In response to the Company's strategic planning, the after-tax disposal gain of US\$11,451,000 on disposal of Tianjin Euroasia Terminal and the after-tax gain of US\$10,669,000 on remeasurement of previously held 16.01% interests in Tianjin Container Terminal at fair value upon acquisition of additional equity interests in Tianjin Container Terminal to make it a subsidiary were included in the amount for 2021; while the after-tax disposal gain of US\$61,472,000 on disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal and the after-tax disposal gain of US\$7,074,000 and US\$9,896,000 on disposal of the interests in Jiangsu Yangtze Petrochemical Co., Ltd. ("Jiangsu Petrochemical") and Qinzhou International Terminal, respectively were included in the amount for 2020. Excluding the above one-off profit, the profit attributable to equity holders of the Company for 2021 increased by 23.6% YoY.

Excluding the above one-off profit, profit from the terminals segment amounted to US\$427,335,000 in 2021 (2020: US\$309,493,000), increased by 38.1% YoY, with profit from terminals in which the Group has controlling stakes amounted to US\$88,835,000 (2020: US\$34,652,000), increased by 156.4% YoY. Operating terminals in which the Group has controlling stakes were affected to a certain extent in 2020 by the outbreak of the COVID-19 epidemic. Under the sustained recovery of the terminals business performance as well as the increased performance of certain terminals in 2021, the profit contribution saw a year-on-year growth. Profit from terminals in which the Group has controlling stakes was mainly attributable to Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. The profit recorded by Piraeus Terminal in 2021 was US\$31,762,000 (2020: US\$19,454,000), increased by 63.3% YoY, which was mainly benefited from the increase in the proportion of local containers, the increase in tariffs and the increase in storage revenue. Throughput of Guangzhou South China Oceangate Terminal in 2021 increased by 2.6% YoY, together with the increase in the proportion

of local containers during the year, profit of the terminal in 2021 amounted to US\$22,706,000 (2020: US\$19,065,000), increased by 19.1% YoY. Throughput of Xiamen Ocean Gate Terminal in 2021 increased by 22.7% YoY, together with the YoY decrease in interest expenses, profit of the terminal in 2021 amounted to US\$27,947,000 (2020: US\$8,470,000), increased by US\$19,477,000 YoY.

In respect of non-controlling terminals, the economic recovery after the epidemic resulted in a considerable increase in profit for most non-controlling terminals. The profit from non-controlling terminals in 2021 amounted to US\$338,500,000 (2020: US\$274,841,000), increased by 23.2% YoY. Amongst which, Sigma Enterprises Limited and Watrus Limited and their subsidiaries (collectively "Yantian Terminal Related Companies", being shareholders of Yantian Terminal), QPI, Euromax Terminal and Beibu Gulf Terminal that newly acquired last year recorded significant growth. The share of profit of these terminals increased by US\$53,203,000 YoY in total. In addition, the Company was allocated the convertible bonds of Beibu Gulf Port on a pro rata basis during the year, and included in its profit after tax on fair value changes of US\$8,520,000.

FINANCIAL ANALYSIS

Revenues

Revenues of the Group amounted to US\$1,208,252,000 in 2021 (2020: US\$1,000,629,000), increased by 20.7% YoY. During the year, revenues of most terminals recorded an increase. Amongst which, CSP Spain Related Companies recorded a revenue of US\$310,978,000 (2020: US\$268,783,000), increased by 15.7% YoY; Guangzhou South China Oceangate Terminal recorded a revenue of US\$205,031,000 (2020: US\$171,651,000), increased by 19.4% YoY; Xiamen Ocean Gate Terminal recorded a revenue of US\$128,383,000 (2020: US\$85,414,000), increased by 50.3% YoY; CSP Zeebrugge Terminal recorded a revenue of US\$50,815,000 (2020: US\$30,618,000), increased by 66.0% YoY. Although throughput of Piraeus Terminal decreased by 4.1% YoY, it recorded a revenue of US\$281,481,000 during the year (2020: US\$256,471,000), increased by 9.8% YoY, as a result of higher proportion of local containers and higher tariffs, as well as the increase in storage revenue.

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Cost of Sales

Cost of sales mainly comprised operating expenses of terminals in which the Group has controlling stakes. Cost of sales was US\$883,107,000 in 2021 (2020: US\$767,987,000), increased by 15.0% YoY. Benefiting from our efforts in cost control, the increase in cost of sales was lower than the increase in revenue despite throughput generally increased. Amongst which, CSP Spain Related Companies recorded a cost of US\$260,078,000 (2020: US\$243,731,000), increased by 6.7% YoY; Guangzhou South China Oceangate Terminal recorded a cost of US\$111,238,000 (2020: US\$90,298,000), increased by 23.2% YoY; Xiamen Ocean Gate Terminal recorded a cost of US\$69,710,000 (2020: US\$56,476,000), increased by 23.4% YoY; CSP Zeebrugge Terminal recorded a cost of US\$37,904,000 (2020: US\$27,952,000), increased by 35.6% YoY. Due to the increase in concession fees driven by the increase in revenue during the year, Piraeus Terminal recorded a cost of US\$219,361,000 (2020: US\$202,476,000), increased by 8.3% YoY.

Administrative Expenses

Administrative expenses in 2021 were US\$138,977,000 (2020: US\$120,182,000), increased by 15.6% YoY.

Other Operating Income/(Expenses), Net

Net other operating income was US\$85,142,000 in 2021 (2020: US\$123,357,000), decreased by 31.0% YoY. The pre-tax gain in 2021 included the pre-tax gain of US\$21,735,000 resulted from the strategic disposal of Tianjin Euroasia Terminal and the pre-tax gain of US\$10,669,000 on remeasurement of previously held 16.01% interests in Tianjin Container Terminal at fair value. Furthermore, the profit before tax on Beibu Gulf Port's convertible bonds at fair value of US\$11,360,000 was included in other operating income in 2021. While in 2020, the pre-tax gain on disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, Jiangsu Petrochemical and Qinzhou International Terminal according to the Company's strategic planning were US\$71,150,000, US\$9,951,000 and US\$9,896,000 respectively, totalling US\$90,997,000. In addition, government subsidies recorded in 2021 amounted to US\$25,721,000 (2020: US\$10,079,000), increased by US\$15,642,000 YoY.

Finance Costs

The Group's finance costs amounted to US\$111,503,000 in 2021 (2020: US\$114,650,000), decreased by 2.7% YoY. The average balance of bank loans for the year increased to US\$3,025,863,000 (2020: US\$2,853,105,000), increased by 6.1% YoY. The decrease in finance costs was mainly due to the decrease in London Interbank Offered Rate. Taking into account the capitalised interest, the average cost of bank borrowings (including the amortisation of transaction costs over bank loans and notes) was 2.92% in 2021 (2020: 3.24%).

Share of Profits Less Losses of Joint Ventures and Associates

The Group's share of profits less losses of joint ventures and associates totalled US\$329,390,000 in 2021 (2020: US\$272,720,000), increased by 20.8% YoY. As throughput increased year-on-year, share of profit of Yantian Terminal Related Companies amounted to US\$69,372,000 (2020: US\$48,070,000), increased by 44.3% YoY. Together with the 7.7% YoY increase in throughput, the share of profit of QPI amounted to US\$120,505,000 (2020: US\$105,749,000), increased by 14.0% YoY. In addition, as a result of the increase in throughput and tariffs, share of profit of Euromax Terminal during the year amounted to US\$7,207,000 (2020: loss of US\$3,089,000), realised a turnaround from loss. Beibu Gulf Terminal became an associate of the Company at the end of 2020 and its share of profit amounted to US\$7,469,000 in 2021 (2020: US\$401,000).

Taxation

Taxation for the year amounted to US\$94,669,000 (2020: US\$34,967,000). The increase was mainly attributable to the year-on-year increase in profit from terminals in which the Group has controlling stakes, which led to the increase in income tax and the deferred withholding income tax. In addition, US\$2,840,000 was provided for gains on fair value changes of Beibu Gulf Port's convertible bonds. On the other hand, due to the decrease in the local tax rate, the deferred withholding income tax provided to a holding company amounted US\$15,568,000 was reversed in 2020, leading to a comparatively increased deferred taxation in 2021.

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FINANCIAL POSITION

Cash Flow

In 2021, the Group continued to receive steady cash flow income. The Group's net cash generated from operating activities amounted to US\$409,219,000 (2020: US\$326,240,000) during the year. In 2021, the Group drew down bank loans of US\$559,667,000 (2020: US\$744,277,000) and repaid loans of US\$412,589,000 (2020: US\$740,932,000).

During the year, US\$376,047,000 (2020: US\$224,428,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment. In addition, the Company acquired approximately 20.00% equity interests in Red Sea Gateway Terminal at a consideration of US\$140,000,000; acquired 34.99% equity interests in Tianjin Container Terminal at a consideration of approximately RMB1,247,710,000 (equivalent to approximately US\$195,584,000), together with the 16.01% equity interests previously held totalling of 51% equity interests after the increase, making it a subsidiary of the Company; and purchased 3,214,915 convertible bonds from Beibu Gulf Port at a consideration of US\$50,484,000. On the other hand, US\$42,324,000 was received for the disposal of COSCO SHIPPING Ports (Tianjin Euroasia) Limited and its 30% equity interests held in Tianjin Euroasia Terminal during the year and the payables due to the Company totalled US\$41,817,000; and US\$37,332,000 was received for the disposal of 30.4% equity interests in Jiangsu Petrochemical in 2020.

Financing and Credit Facilities

As at 31 December 2021, the Group's total outstanding borrowings amounted to US\$3,219,610,000 (31 December 2020: US\$3,047,741,000) and cash balance amounted to US\$1,260,055,000 (31 December 2020: US\$1,341,513,000). Banking facilities unutilised amounted to US\$1,037,408,000 (31 December 2020: US\$813,455,000).

Assets and Liabilities

As at 31 December 2021, the Group's total assets and total liabilities were US\$12,033,310,000 (31 December 2020: US\$11,224,345,000) and US\$5,092,671,000 (31 December 2020: US\$4,847,119,000), respectively. Net assets were US\$6,940,639,000 (31 December 2020: US\$6,377,226,000). As at 31 December 2021, net asset value per share of the Company was US\$2.09 (31 December 2020: US\$1.92).

As at 31 December 2021, the net debt-to-total-equity ratio (excluding lease liabilities) was 28.2% (31 December 2020: 26.8%) and the interest coverage was 5.5 times (2020: 4.6 times).

As at 31 December 2021, certain assets of the Group with an aggregate net book value of US\$345,109,000 (31 December 2020: US\$340,672,000), together with the Company's restricted bank deposits and interest in subsidiaries, were pledged to secure bank loans and a loan from other financial institution, totalling US\$916,232,000 (31 December 2020: US\$1,052,879,000).

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Debt Analysis

	As at 31 December 2021		As at 31 December 2020	
	US\$	(%)	US\$	(%)
By repayment term				
Within the first year	913,187,000	28.3	299,449,000	9.8
Within the second year	435,443,000	13.5	658,312,000	21.6
Within the third year	868,585,000	27.0	430,725,000	14.1
Within the fourth year	102,091,000	3.2	799,512,000	26.3
Within the fifth year and after	900,304,000	28.0	859,743,000	28.2
	3,219,610,000*	100.0	3,047,741,000*	100.0
By category				
Secured borrowings	916,232,000	28.5	1,052,879,000	34.5
Unsecured borrowings	2,303,378,000	71.5	1,994,862,000	65.5
	3,219,610,000*	100.0	3,047,741,000*	100.0
By denominated currency				
US dollar borrowings	1,270,247,000	39.4	1,119,283,000	36.8
RMB borrowings	903,729,000	28.1	763,015,000	25.0
Euro borrowings	763,513,000	23.7	881,667,000	28.9
HK dollar borrowings	282,121,000	8.8	283,776,000	9.3
	3,219,610,000*	100.0	3,047,741,000*	100.0

* Net of unamortised discount on notes and transaction costs on borrowings and notes.

Financial Guarantee Contracts

As at 31 December 2021 and 31 December 2020, the Company did not have any guarantee contract.

Treasury Policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as much as possible. The functional currency of the Group's terminals business is mainly either Euro or Renminbi, the same currency of its borrowings, revenues and expenses, so as to provide a natural hedge against the foreign exchange volatility.

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. As at 31 December 2021, 29.2% (31 December 2020: 30.7%) of the Group's borrowings were at fixed rates. In light of market conditions, the Group will continue to monitor and regulate its fixed and floating-rate debt portfolio, with a view to minimising its potential interest rate exposure.