

MANAGING DIRECTOR'S REPORT



In 2021, the Group seized development opportunities to continuously improve global terminals network, further promoted its strategy of lean operations and enhanced cost control. The Group recorded steady growth in performance with revenue amounting to US\$1,208.3 million, a 20.7% increase compared with US\$1,000.6 million of last year. Excluding one-off items^{Note}, profit attributable to equity holders grew by 23.6% to US\$332.5 million, while earnings per share advanced by 19.8% to US10.03 cents.

The Group's total throughput grew steadily by 4.4% YoY to 129.3 million TEU in 2021. Total throughput of the Group's terminals in Greater China increased by 4.1% to 99.3 million TEU, accounting for 76.8% of the Group's total throughput. Total throughput of overseas terminals increased by 5.5% to 30.0 million TEU.

ZHANG Dayu
Managing Director

Note: For 2021, excluding the after-tax disposal gain of US\$11,451,000 from disposal of Tianjin Euroasia Terminal and the after-tax gain of US\$10,669,000 on re-measurement of the previously held 16.01% interest in Tianjin Container Terminal at fair value upon acquisition of additional equity interest in Tianjin Container Terminal to make it a subsidiary; and for 2020, excluding the after-tax disposal gain of US\$61,472,000 from disposal of interest in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal and the after-tax disposal gain of US\$7,074,000 and US\$9,896,000 from disposal of Jiangsu Petrochemical and Qinzhou International Terminal, respectively.

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ACHIEVING SIGNIFICANT PROGRESS IN ACQUISITIONS AND FURTHER OPTIMISING GLOBAL TERMINALS NETWORK

In 2021, the Group remained steadfastly committed to building well-balanced terminal network to meet the needs of shipping alliances. At the same time, it prudently seized development opportunity with an eye on identifying projects with growth potential around the globe to strengthen its global network of terminals.

In July, COSCO SHIPPING Ports completed the transaction of acquisition of 20% of the shares of Red Sea Gateway Terminal, which strengthened its presence in the Red Sea region. Red Sea Gateway Terminal currently has an annual container throughput capacity of 5.2 million TEU and is the largest terminal at the Jeddah Islamic Port, which in turn is also the largest port in Saudi Arabia. The Jeddah Islamic Port is strategically located in the Red Sea region and is close to the major shipping routes. It has a wide coverage of container market

in the Middle East and East Africa. In addition, Red Sea Gateway Terminal will upgrade and increase the berth capacity while modernising the terminal yard and other supporting facilities. We believe that the new infrastructure and facilities will firmly establish Red Sea Gateway Terminal as the largest logistics gateway, and the busiest container terminal, in Saudi Arabia, and on the Red Sea. It is expected that Jeddah Islamic Port and Red Sea Gateway Terminal will witness sustained growth in its container throughput in the future, bringing new growth engine for COSCO SHIPPING Ports.

In September, the Group announced the signing of an agreement to acquire 35% of the share capital of the Container Terminal Tollerort ("CTT") in the Port of Hamburg, Germany. CTT in Hamburg is an important logistics hub in Europe and enjoys favorable natural conditions, such as location, water depth and connects to the hinterland, which has bright future and great potential of development. The Port of Hamburg is ideally located as one of the most important hubs for European trade with

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China, with a wealth of back-end gathering and evacuating transport facilities, and is an important European node for China-Europe freight trains. As one of Europe's largest port companies and integrated logistics providers, Hamburger Hafen und Logistik Aktiengesellschaft ("HHLA")'s three container terminals in the Port of Hamburg have attracted the ship calls from the world's three largest shipping alliances thanks to their excellent geographical location and efficient operational management and maintained steady growth in performance over the years. CTT has stable and promising outlook, which helps bring stable earnings for the Group and meanwhile maximizes the synergy between the Company and liners to provide better and more efficient services for the customers.

In December, the Group completed the transaction of increasing the stakes in Tianjin Container Terminal to 51% and Tianjin Container Terminal has become a controlling terminal of the Group. Located in the Beijing-Tianjin-Hebei Economic Circle, Tianjin Container Terminal enjoys favourable geographical advantage and is highly competitive in the Bohai Rim area. The acquisition is in line with the Company's strategic planning, and it will further enhance the Group's synergy with the OCEAN Alliance and continue to strengthen the Group's leading position in the Greater China region. It is expected that the Group will fully facilitate the development of Tianjin Container Terminal as an international shipping hub in Northern China by proactively optimising the operational efficiency of the shipping lines calling at Tianjin Container Terminal and promoting the synergy of the hub-and-spoke and transshipment networks in the Bohai Rim region, resulting in an increase in the Group's market share and the development of a strategic hub port in Northeast Asia.

ACTIVELY DEVELOPING PORTS SUPPLY CHAIN PLATFORM THAT EXTENDS TO BOTH UPSTREAM AND DOWNSTREAM INDUSTRIES

Terminals in which the Company has controlling stake are actively developing terminal extended business and aims to develop a ports supply chain platform that extends to both upstream and downstream industries and provide more value-added services to customers, thereby further enhancing profitability.

On 22 December, the commencement ceremony of Xiamen Haicang supply chain project of COSCO SHIPPING Ports was held in Haicang, Xiamen. Xiamen Haicang supply chain project of COSCO SHIPPING Ports is located behind berth 13 in Haicang Port, covering an area of about 66,000 square metres. The project will be developed in two phases. The first phase of the project, with a site area of approximately 23,800 square metres, will involve the construction of two high-standard double ramp warehouses with approximately 20,000 square metres of storage space and is expected to be completed and put into operation in the first quarter of 2023. Xiamen Haicang supply chain project of COSCO SHIPPING Ports will form an integrated supply chain infrastructure of "automated terminal+automated railway+automated warehouse" with the support from Xiamen Ocean Gate Automated Terminal and sea-trail transportation, which will help reduce regional logistics costs and operation costs and promote the integration and upgrading of industrial ecology.

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ENHANCING SYNERGIES AND COOPERATION WITH SHIPPING ALLIANCES

Apart from continuously leveraging on its synergy with the parent company and the OCEAN Alliance, the Group has worked actively to expand other shipping company customers, with greater communication with major shipping companies and efforts to procure the shipping fleets of major shipping alliances to increase their calls at our terminals, thus continuously optimising our customer portfolio.

As one of the world's largest ports operators, not only do we further capitalise on the synergies with our parent company and the OCEAN Alliance, we also capture every opportunity to work with major shipping companies and ports operators to deliver a win-win outcome. We also continue to increase our throughput, ramp up port operation capabilities rapidly and bolster customer service capabilities.

EFFECTIVELY IMPLEMENTING MEASURES TO FIGHT AGAINST THE EPIDEMIC

In 2021, the Company was still challenged by the COVID-19 Epidemic in its operation and production. Accordingly, the Group worked on epidemic prevention and control in a practical manner. On one hand, we strove for effective prevention and control of the epidemic, and on the other hand, we made proper arrangements for production and operation during the epidemic prevention and control period. Despite the epidemic impact on the industry, the Group continued to shoulder its social responsibility, support the work of its employees and attach importance to their safety and health, in an effort to cope with the challenges brought by the epidemic.

PROSPECTS

While the global economy and trade are recovering, the continued recurrence of the COVID-19 epidemic around the world is creating uncertainty about the progress of the recovery. COSCO SHIPPING Ports has actively implemented the "lean operations" strategy and adopted a series of measures to control costs and improve efficiency. The continued improvement in terminal profitability in 2021 indicates that COSCO SHIPPING Ports has achieved positive results in reducing costs and increasing revenue, and improving quality and efficiency.

Looking ahead, the Group will continue to focus on building a global terminal network to provide efficient and high quality services to the OCEAN Alliance. With prudent use of financial resources, the Group will continue to identify new terminal projects and investment opportunities in Southeast Asia, the Middle East, Africa and South America.

The Group will further strengthen the concept of "cost per TEU" in terminal operation and management, and formulate practical, targeted, systematic and effective cost control measures. We will strive for innovative marketing ideas to strengthen the Company's overall marketing, and actively introduce container volumes from various shipping companies to enhance the terminal's revenue per TEU and continuously improve profitability.

ZHANG Dayu
Managing Director
30 March 2022