

## CHAIRMAN'S STATEMENT



2022 was a year during which COSCO SHIPPING Ports rose to the challenge and advanced with vigour. In the face of risks including sluggish global economic growth, high inflation and escalating geopolitical conflicts, we actively promoted the strategies of “building a global terminal network and lean operations”, and adhered to the new development path featuring “digital, smart and low-carbon transformation and integrated development”. We expanded our global business with the spirit of keeping integrity and innovation, created brand new business models with the empowerment of digital technology, and pooled together development strengths with the deep coordination of the industrial chain. We gradually developed from the accumulation of quantity to a qualitative leap, and from “point breakthrough” to “the improvement of comprehensive ability”. We have entered a sound development track characterised by “improving efficiency and quality and pursuing progress while ensuring stability”.

A handwritten signature in black ink, consisting of stylized Chinese characters.

YANG Zhijian  
Chairman

## Chairman's Statement



COSCO SHIPPING Ports accelerated high-quality transformation and upgrading with a focus on the whole chain development of “shipping + ports + logistics” and on the basis of optimising its main business of ports. In the past year, the efficiency of the synergistic innovation of port and shipping has been significantly improved, great progress has been made in the building of global terminal network, new services have been introduced to digital supply chain services and remarkable results have been achieved in the construction of smart and low-carbon ports.

We actively responded to the trend of digital and smart development to set new development direction for the future and drive our innovation and upgrading. The “5G Smart Port Intelligent Cargo Loading and Unloading Demonstration Area Project” of Xiamen Ocean Gate Terminal was granted the winner award under the category of technological innovation and application of BRICS Solutions for Sustainable

Development Goals Awards 2022. The “World’s First Automatic Upgrading and Reconstruction of Traditional Terminal Project” of Tianjin Container Terminal was selected as one of the 2022 “World 5G Convention Top 10 Application Cases”, and provided a “Chinese solution” for the smart upgrading and reconstruction of traditional terminals.

Meanwhile, driven by data, guided by capability and supported by management and services, we put efforts into promoting the improvement and unification of information systems such as the Terminal Operating System (TOS), the Management Information System (MIS) and the Enterprise Asset Management (EAM). We introduced shore power systems for all the container berths of domestic terminals in which we have controlling stakes, with a focus on the goals of “carbon peaking and carbon neutrality”.

## Chairman's Statement

### **CAPITALISING ON GLOBAL GROWTH OPPORTUNITIES AND OPTIMISING TERMINAL ASSET PORTFOLIO**

By capitalising on growth opportunities, the Group identified potential projects and tapped into strategic terminals in which it has controlling stakes and highly profitable non-subsidiary terminals. For example, in recent years, the Group has increased its equity interest in Tianjin Container Terminal to make it a subsidiary terminal. As the terminal further promoted the synergy of the hub-and-spoke and transshipment networks in the Bohai Rim region, we will continue to build it into an international shipping hub in Northern China. In addition, Beibu Gulf Terminal, a newly acquired terminal in which the Group has a shareholding, continued to contribute to the growth of economy and trade in Southwest China and Southeast Asia, which also improved the profitability of our terminal portfolio as a whole.

We continued to grasp the opportunities to expand our global terminal network, with a focus on emerging markets such as Southeast Asia, the Middle East and Africa, and actively participated in the integration of domestic terminal resources, aiming to optimise and adjust our terminal structure to improve asset quality, enhance the regional diversification of our terminal asset portfolio, and build a global terminal network that develops in a balanced way. Thus, we are able to provide shipping companies with a low-cost and highly-efficient package of terminal services and promote the growth of container volume and revenue. Emerging markets are full of potential and

it is expected that the Regional Comprehensive Economic Partnership (RCEP) will continue to create new growth potentials. According to data from the General Administration of Customs of China, in 2022, the growth rate of China's imports and exports to ASEAN reached 15%, which ASEAN continued to be China's largest trading partner, accounting for 15.5% of China's total foreign trade value.

### **CONTINUING TO STRENGTHEN LEAN OPERATIONS TO IMPROVE THE QUALITY AND EFFICIENCY OF ASSETS**

To achieve better quality and efficiency of its terminal asset portfolio, strengthen the management and control over terminals, and build the core competitiveness of the Company, the Group continued to deepen the "lean operations" strategy. To boost revenue, the Group continued to actively enhance its business marketing capabilities, strengthen market insight and customer value analysis capabilities, focus on customer needs, and upgrade the quality of market development. In terms of cost reduction, terminals in which the Group has controlling stake actively controlled the cost per TEU, identified the segments and processes for cost optimisation, and strived to enhance the cost competitiveness; continuously deepened the promotion of Center of Excellence (COE) team empowerment, reduced cost and increased efficiency, and controlled the cost per TEU.

## Chairman's Statement

**ENHANCING SYNERGIES AND COOPERATION WITH SHIPPING ALLIANCES**

The Group will continue to create a win-win situation for the synergies of port and shipping and actively leverage the synergies of dual-brand with COSCO SHIPPING Lines. We worked actively to expand other shipping company customers, with closer communication with major shipping companies and greater efforts to procure the shipping fleets of major shipping alliances to increase their calls at our terminals, thus continuously optimising our customer portfolio. The container volume from the OCEAN Alliance accounted for approximately 50% of the container volume of eight major terminals in which the Group has controlling stakes, of which approximately 30% was the volume of containers from the dual-branded fleet of COSCO SHIPPING Lines and approximately 25% was the volume of containers from 2M+THE Alliance. We not only further capitalised on the synergies with our parent company and the OCEAN Alliance, but also captured every opportunity to work with major shipping companies and ports operators to deliver a win-win outcome. We also continued to increase our throughput, ramped up port operation capabilities rapidly and bolstered customer service capabilities.

**GREEN AND LOW-CARBON APPLICATIONS FOR SUSTAINABLE DEVELOPMENT**

Smart and green terminals are a new development trend for the port industry. The Company has devoted more effort on technical transformation and innovation and upgrading to accelerate our transition to green and low-carbon development. With the goal of achieving carbon neutrality by no later than 2060, the Company will continue to optimise the energy usage of its ports and proactively explore the application of clean energy sources, including photovoltaic energy and wind power, in its terminals.

The sustainable development efforts of COSCO SHIPPING Ports have been recognised by the market. During the year, the Company was successfully included in the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index, and won a total of 14 awards in the area of sustainable development, including the "Best Corporate Governance and ESG Awards 2022 – Special Mention" by the Hong Kong Institute of Certified Public Accountants. The Company was also awarded the "Caring Company" logo for four consecutive years. These fully demonstrated the recognition of the Company by all sectors of the society. The Company will actively accelerate its sustainable development and share the results with its stakeholders.

## Chairman's Statement

### DIVIDEND

The Board of Directors declared a second interim dividend of US1.504 cents per share. This is a cash distribution with a scrip dividend alternative. Together with the first interim dividend of US2.128 cents per share, it brings the total dividend for 2022 to US3.632 cents per share, representing a 40% payout ratio.

COSCO SHIPPING Ports has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future development. The Board regards a stable payout ratio and steady implementation of long-term business development plans as key commitments to shareholders.

The Group will continue to make good use of its capital, ensure sustainable development of its business, create and enhance value for shareholders on a continuous basis. For the dividend policy, please visit the section headed "Policies & Guidelines" under "Corporate Governance" under "About CSP" at the corporate website (<https://ports.coscoshipping.com>).

### PROSPECTS

Looking forward to this year, although there are still various difficulties and challenges facing global economic recovery, it also ushers in unprecedented development opportunities, such as China's resilient economic development, the new wave of globalised development, the accelerated rise of

emerging industries, and the opportunities for the port and shipping industries to jointly promote the transformation and upgrading of supply chains. We will firmly seize the opportunities brought about by the "dual-circulation" development strategy in the 14th Five-Year Plan. With the expansion and further maturity of the domestic market and the increasing domestic demand for goods, domestic demand for the shipping industry will continue to increase. At the same time, foreign demand and import and export businesses will continue to grow, leading to a vast room for development in the domestic and foreign trade sector. To this end, we must treat and solve problems with the perspective and approach of development, firmly develop the awareness of striving for the top-class, build comprehensive competitiveness, and further consolidate and strengthen our global leading advantages.

2023 is an important year for COSCO SHIPPING Ports to achieve higher-quality development. We will continue to promote the dual drivers of "building global terminal network" and "lean operations", upgrade the three major supports of "integration, digital intelligence, and green and low-carbon", deepen systematic thinking, coordinate the growth of scale and efficiency, focus on synergy and capacity improvement, facilitate the acceleration of innovation and transformation, and speed up our development towards the goal of "building a customer-centric global leading comprehensive ports operator".

## Chairman's Statement

### BOARD AND CORPORATE GOVERNANCE

Under the leadership of the Board of Directors, COSCO SHIPPING Ports has firmly consolidated the governance system with higher standards, providing an important guarantee for the Company's resilient and sustainable development. On the one hand, the Company has intensified the implementation of the operation and management concept of managing according to law and winning with integrity, consolidated and optimised the compliance management mechanism, and strengthened the cultivation of integrity and compliance culture. On the other hand, the Company has attached great importance to risk management and control, implemented risk assessment and prevention, continuously improved the risk prevention and control system, and strictly carried out the investigation and rectification of potential risks, so as to strengthen the solid defense for sustainable and high-quality development. The Board of Directors plays an active role in uniting the Company in implementing its development strategy, tapping into markets and improving the Company's operating efficiency against the backdrop of uncertain macroeconomic conditions, and it is committed to further improving the Company's governance, laying a solid foundation for the stable and healthy development of the Group.

The pioneering achievements we made in 2022 reflect the diligence and wisdom of the staff of COSCO SHIPPING Ports, and are a vivid epitome of the vigorous business development of COSCO SHIPPING Ports. On behalf of the Board of Directors and the management of the Company, I would like to pay high tribute to all staff of the Company, and sincerely thank the management and the staff for their continued dedication and contribution towards the Company throughout the year. We are also thankful for the continued support and trust from our various stakeholders and shareholders.

**YANG Zhijian**

Chairman

29 March 2023