

MANAGING DIRECTOR'S REPORT



In 2023, in the face of the complex and severe international environment, COSCO SHIPPING Ports, under the strong leadership and support of COSCO SHIPPING Group and the Board of the Company, continuously capitalised on new synergies and opened up new horizons for development with all members of the Company. Through the unswerving implementation of the “dual-driver” strategy, the quality of operational efficiency and the service capabilities of the terminals under the Company continued to be upgraded, the global layout of port resources continued to be perfected, and significant progress was also made in the building of the end-to-end supply chain and the green, low-carbon and digital transformation of the ports. As a result, the overall quality of operation and development of the Company and its operation results kept improving.

ZHU Tao
Managing Director

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The business volume of the Group grew steadily with the total throughput increasing by 4.4% YoY to 135,808,554 TEU and the total equity throughput increasing by 3.1% YoY to 43,381,201 TEU. As at the end of 2023, the Group’s terminal portfolio covered the five main port regions and the middle and lower reaches of the Yangtze River in China, as well as the key hub ports in Europe, the Mediterranean, the Middle East, Southeast Asia, South America and Africa, etc., and operated and managed 371 berths at 38 ports, with a total annual handling capacity of approximately 123 million TEU.

PUSH FORWARD TO IMPROVE EFFICIENCY AND REDUCE COSTS, AND SPARE NO EFFORTS TO ENHANCE QUALITY AND INCREASE REVENUE

The Group continued to promote lean operations to enhance the quality of terminal operation and efficiency. In terms of cost management and control, the Group has focused on cost per TEU as a method to effectively control increasing costs and enhance cost competitiveness. In terms of financial management enhancement, the Company strived to manage its debt scale and finance costs through a combination of revolving credit facilities to optimise the existing debt portfolio and a scrip dividend scheme.

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The Company has increased its revenue from its main business by a combination of measures such as actively and reasonably increasing its operating rates, improving its billing structure and model, and introducing value-added services. We stepped up our commercial marketing efforts by launching joint marketing campaigns with major shipping companies, reaching into the peripheral inland hinterlands, and tapping into emerging markets and regional markets to explore additional cargo sources. The Company continued to consolidate the existing synergies with COSCO SHIPPING Group companies, and actively cooperated with them to build a business ecosystem within COSCO SHIPPING Group in the new energy vehicles and pulp business, so as to further optimise the business structure and profitability.

CONTINUE TO IMPROVE THE GLOBAL NETWORK, AND HIGHLIGHT THE VALUE ADVANTAGE OF THE WHOLE CHAIN

The Group continued to optimise its global terminal network. Abroad, the Group completed the acquisition of 24.99% equity interest in CTT in Hamburg, Germany, which is of great significance in promoting the interconnection of logistics between China and Germany. The Group also signed an investment agreement for the acquisition of 25% equity interest in Sokhna New Container Terminal in Egypt, which will provide a strong support for the Company to refine its network layout in the Suez Canal region. Domestically, the Company acquired 56% equity interest in Xiamen Haitou Supply Chain and increased its shareholding in Xiamen Ocean Gate Terminal by 30% to 100%, thereby promoting the integrated development of "port + supply chain".

The Company has given full play to the role of ports as an important node in the logistics supply chain by fully capitalising its resources including global terminal network, supply chain base, digitalisation capabilities, etc. to create high-quality and high-efficiency terminal products based on customers' needs. Backed by COSCO SHIPPING Group, the Company has consolidated its strategic connection, upgraded its global service capabilities, and created a sharing and win-win "ecosystem" between the upstream and downstream industrial chains and the supply chain, becoming a critical node of support for the global supply chain system of COSCO SHIPPING Group.

PROMOTE THE CONSTRUCTION OF SMART PORTS, AND ACCELERATE UPGRADING THE LOW-CARBON TRANSFORMATION

The Group continued to intensify its research efforts and accelerated its transformation into new areas. In terms of smart ports construction, the Company made every effort to promote the commercial operation and large-scale application of driverless transportation, with the annual throughput of driverless container vehicles increasing by more than four times. The Company continued to strengthen the in-depth integration of new-generation cutting-edge technologies such as artificial intelligence with traditional terminal business, accelerated COSCO SHIPPING Group's artificial intelligence project of "Smart Port Demonstration Sub-project", and improved the application of artificial intelligence based on business demand scenarios.

In terms of green and low-carbon transformation, the green transformation of domestic and overseas terminals entered the fast lane. The utilisation rate of shore power by the domestic terminal companies in which the Group has controlling stake continued to increase, and the air pollutants and carbon dioxide emissions from vessels at berth reduced. The coverage of clean energy in ports gradually expanded, and the construction of distributed photovoltaic projects continued to be promoted. The iterative upgrading of clean energy equipment accelerated, and the proportion of new energy and clean energy container vehicles at the terminals with controlling stake continued to increase. Through the adoption of various energy-saving and emission reduction measures, the greenhouse gas (scope 1 and scope 2) emission intensity of the Company's terminals with controlling stake for the year decreased by 20.8% compared with the baseline year 2020.

BUILD ROBUST GROWTH CAPABILITIES WITH SUSTAINABLE CORPORATE GOVERNANCE

The Group has continued to optimise the quality of its existing terminal assets through its global terminal network. While enhancing its ability to boost operational efficiency, the Group has comprehensively integrated ESG concepts into its daily operation and management and continuously upgraded its ESG management level to promote the

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harmonious coexistence of the enterprise with the economy, society and the environment as well as sustainable development through practical actions. The Company will continue to improve its modern enterprise system, operation and management system, risk prevention and control system, and build a trustworthy business environment, so as to create a world-class governance system and operational capability in the port supply chain.

The Company believes that good corporate governance is the key to promoting high-quality and sustainable development and therefore has been upholding the highest standards of corporate conduct. The Board maintains and enhances the Company's corporate governance standards in a timely, transparent, effective and accountable manner and policy, with a view to creating long-term benefits and value for the shareholders and stakeholders. We have been actively strengthening our ESG mindset and promoting ESG work. In September, the Company was once again included as constituent stock of the Hang Seng Corporate Sustainability Benchmark Index, making its path to smart, green and sustainable development much wider.

PROSPECTS

2024 is a critical year for the Group to implement the "14th Five-Year Plan". Our vision is to become "the leading global port logistics service provider with a customer-oriented focus":

"Anchoring on Global Development": Based on our existing network, we will continue to explore opportunities in emerging markets, regional markets and third-country markets represented by the Regional Comprehensive Economic Partnership (RCEP). We will steadily promote the port resources layout in Southeast Asia, Africa and South America to improve our global terminal network.

"Empowered by Lean Operations and Innovation": We will enhance the operational level of terminals by lean operation to realise systematic and professional efficiency improvement in three dimensions of cost reduction, efficiency enhancement and empowerment. We will insist on promoting the Center of Excellence (COE) empowerment work to consolidate the foundation of quality improvement and efficiency enhancement and innovate the ports-vessels-cargoes linkage mechanism to tap the potential increase in cargo sources.

"Led by Digital Intelligence": We will tap the development potential of digital intelligence innovation, strengthen the construction of information systems, promote the large-scale application of 5G technology, artificial intelligence and other new technologies, and accelerate our own cost reduction, efficiency enhancement and industrial restructuring and upgrading. We will intensify our scientific research efforts to push forward the construction of smart ports in a deep and practical manner.

"Achieving Cooperation and Success for All": We will actively integrate into the supply chain ecosystem of COSCO SHIPPING Group, deepen the synergistic resource advantages of COSCO SHIPPING Group and dual brands, open up the convergence of processes, optimise the allocation of resources, and facilitate the communication of information, so as to promote the continuous expansion of synergistic areas and continuous deepening of synergistic levels and thus to build a new development advantage.

Looking ahead, we will continue to uphold the development concept of "The Ports for ALL". As a "companion, striver and achiever", we will continue to focus on the dual drivers of "global terminal network" and "lean operations", upgrade the three major supports of "integration, digital intelligence, and green and low-carbon", and work unitedly and diligently to move forward, accelerating towards the goal of being a customer-oriented, value-leading, and world-class port logistics service provider.

ZHU Tao

Managing Director
28 March 2024