

MANAGING DIRECTOR'S REPORT



The recurring global pandemic overlapped with geopolitical conflicts and supply chain disruption presented huge challenges to global economic and trade activities and raised risks of global stagflation. Amid the complex and ever-changing external environment, the Group adhered to the goals under the 14th Five-Year Plan, pursued the strategy of lean operations persistently, expanded across the global markets and capitalised on the synergies to further improve itself in the areas of sales and marketing, terminal operations and management, green, low-carbon and digital transformation, business extension and supply chain project expansion.

ZHU Tao
Managing Director

Managing Director's Report



In 2022, the business volume of the Group maintained steady growth with the total throughput increasing by 0.6% YoY to 130,107,074 TEU and the total equity throughput increasing by 5.5% YoY to 42,069,050 TEU. With the efforts of all employees of the Company, the scale of the terminal network has been further expanded and the terminal operation capability has been further enhanced. As at the end of 2022, 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 hubports in Europe, the Mediterranean, the Middle East, Southeast Asia, South America and Africa, etc., operated and managed 46 terminals at 37 ports, with a total annual handling capacity of approximately 122 million TEU.

CONTINUE TO DEEPEN LEAN OPERATIONS TO STABLY PROMOTE GLOBAL TERMINAL NETWORK

The Group adopted a series of measures to optimise business and strengthen business marketing. Terminals in which the Group has a controlling stake proactively improved the revenue per TEU through demonstrations of synergistic effects between the dual-branded shipping fleets with COSCO SHIPPING Lines. The Group vigorously expanded the external customer base and frequently communicated with shipping companies. We continued to focus on the promotion of the COE team to empower the optimisation of the production operation process and equipment operation and maintenance management of terminals with a controlling stake, and the enhancement of terminal operation capability.

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Meanwhile, we remained steadfastly committed to building a well-balanced global terminal network, prudently seized development opportunities with an eye on projects with growth potential around the globe to strengthen our global network of terminals and to meet the needs of shipping alliances with comprehensive service. Looking forward, we will continue to grasp the opportunities to expand our global terminal network and focus on emerging markets such as Southeast Asia, the Middle East and Africa to enhance the regional diversification of our terminal asset portfolio.

VIGOROUSLY IMPLEMENTING REFORM AND INNOVATION TO PROMOTE PORT TRANSFORMATION AND UPGRADING

COSCO SHIPPING Ports achieved impressive progress in port transformation and upgrading with digital transformation proceeding apace. The MIS system has generally connected the TOS data and SAP data of all terminals with controlling stake, and all the visual management tools of which were launched. The EAM system was launched and put into operation in all domestic terminals with controlling stakes and CSP Abu Dhabi Terminal, which became crucial to accomplish the full life cycle management of production equipment and reduce the cost of equipment operation and maintenance for the terminals.

In terms of smart port construction, the pilot demonstration zone of smart port of Xiamen Ocean Gate Terminal has extended from single-way stevedoring to multi-way stevedoring; the driverless container vehicles project was revived and promoted in CSP Wuhan Terminal; CSP Abu Dhabi Terminal initiated the introduction of driverless container vehicles in the Middle East; and the automation upgrading project of Tianjin Container Terminal was completed.

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

Terminals in which the Group has controlling stake are actively developing terminal extended

businesses with the aim of developing a ports supply chain platform that extends to both upstream and downstream industries and providing more value-added services to customers, thereby further enhancing profitability.

We have been proactively expanding businesses in relation to port supply chain logistics and port logistics park project, and building port supply chain platforms. We achieved remarkable achievements in business extension and supply chain projects. For example, CSP Abu Dhabi CFS continued to deepen cooperation with major customers such as SAIC Motor and Hisense, while proactively expanding overseas warehouse business. CSP Zeebrugge CFS worked at full capacity in its self-operated range, which was mainly used for overseas transit warehouses and terminal unpacking business, including the photovoltaic project in Europe and Cainiao International's overseas warehouses. These new projects have gathered new momentum for the development of the Group's port extended businesses.

In terms of new supply chain projects, Xiamen Haitou Supply Chain entered into an equity transfer agreement on 30 December. On the one hand, this acquisition was conducive to further expanding the service scope and capabilities of Xiamen Ocean Gate Terminal, as well as enhancing and maximising its advantages of a hub port. On the other hand, Xiamen Ocean Gate Terminal's berth capacity, sea-rail combined transport function, and technological empowerment will also help provide an abundant and powerful resource support to the target company's future business as a positive interaction, so as to enhance the Company's comprehensive logistics service capabilities in Xiamen and its surrounding area as a whole, improve market competitiveness, form a competitive port logistics supply chain network, and provide customers with one-stop high quality services. This acquisition provides a broad space for the Group to develop its port logistics extension business and enhance its competitiveness, which is of great strategic significance to our long-term development. Through the development of supply chain business, we are committed to building a comprehensive network of ports and logistics business with linkage effects in the future, and creating a win-win sharing platform for shipping upstream and downstream industries.

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COMMITTED TO CREATING VALUE FOR SHAREHOLDERS AND ENHANCING CORPORATE GOVERNANCE STANDARDS

By optimising the quality of our existing terminal assets, the Group is able to enhance corporate profitability and generate sustainable free cash flow. At the same time, we are fully aware of the importance of asset allocation and therefore take a prudent approach to asset allocation. We will continue to give full play to our low leverage advantage, identify projects with promising development potential and constantly improve our global terminal asset portfolio allocation. In terms of financial asset management, we continue to optimise our control over cash liquidity, increase additional interest income while further reducing interest expenses, striving to maximise return on capital amid high inflation.

We believe that good corporate governance is the key for the Group to promote high-quality and sustainable development. We build a business environment which upholds integrity to effectively enhance the intrinsic value of each share and maintain good relations with existing shareholders and potential investors through continuous improvement of risk management. We have always adhered to the highest ethical standards, followed good corporate governance codes and all applicable laws and regulations, and shaped a professional, transparent, open and accountable corporate image, thus demonstrating a commitment to corporate social responsibility to stakeholders and the society, hoping to achieve sustainable business operations and enhance corporate value.

PROSPECTS

2023 is a transitional year for the Group to implement the "14th Five-Year Plan". Leveraging on COSCO SHIPPING Ports' leading position in the global ports operator industry, we will continue to grasp strategic development opportunities and insist on "building a global terminal network" and "lean operations"; to accelerate the development of information technology and seize the opportunity of digital development; promote the construction of smart ports and stick to innovation-driven development; continue to promote the development of supply chain business, explore new development opportunities and build a customer-centric supply chain service system.

Looking ahead, COSCO SHIPPING Ports will continue to focus on building a global terminal network, accelerating its expansion of port resources in Southeast Asia, Africa and South America and improving its global port resources layout to provide efficient and high quality services to the shipping alliances. We will continue to accelerate the pace of all-round transformation and upgrade and firmly promote the implementation of the strategic plans established in the "14th Five-Year Plan", setting sail vigorously to strive to develop world-class ports.

ZHU Tao

Managing Director
29 March 2023