

FINANCIAL REVIEW

Economic activity around the world continued to be repeatedly affected by the pandemic in 2022, and coupled with the uncertainties that are still hanging over the global economy, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US\$305,163,000 in 2022 (2021: US\$354,652,000), decreased by 14.0% 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 re-measurement 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. Excluding the one-off items, the profit attributable to equity holders of the Company in 2022 decreased by 8.2% YoY. In addition, the Company was allocated the convertible bonds of Beibu Gulf Port on a pro rata basis in 2021 in which a decrease of US\$11,120,000 YoY in the after-tax fair value changes was accounted for. Excluding the above exceptional items, the profit attributable to equity holders of the Company for 2022 decreased by 5.0% YoY.

Excluding the above exceptional items, profit from the terminals in which the Group has controlling stakes and non-controlling terminals amounted to US\$442,218,000 in total in 2022 (2021: US\$418,815,000) increased by 5.6% YoY, in which, profit from terminals in which the Group has controlling stakes amounted to US\$136,519,000 (2021: US\$88,835,000), increased by 53.7% YoY. With the effectiveness of the approach of "Revenue Increase and Cost Reduction as well as Lean Operations", profit contribution from operating terminals in which the Group has controlling stakes increased YoY. Profit from terminals in which the Group has controlling stakes was mainly attributable to Piraeus Terminal, Xiamen Ocean Gate Terminal and Guangzhou South

China Oceangate Terminal. The profit recorded by Piraeus Terminal in 2022 was US\$41,580,000 (2021: US\$31,762,000), increased by 30.9% YoY, which was mainly benefited from the increase in the proportion of local containers and the increase in tariffs. Throughput of Xiamen Ocean Gate Terminal in 2022 increased by 7.9% YoY, and the profit of the terminal in 2022 amounted to US\$37,297,000 (2021: US\$27,947,000), increased by 33.5% YoY. Due to the increase in storage revenue and benefited from the decrease in tax rate of Guangzhou South China Oceangate Terminal, its profit for the year amounted to US\$26,249,000 (2021: US\$22,706,000), increased by 15.6% YoY. Throughput of CSP Zeebrugge Terminal in 2022 increased by 15.0% YoY, together with the increase in tariffs, its profit in 2022 amounted to US\$8,766,000 (2021: US\$4,593,000), increased significantly by 90.9% YoY. The profit of CSP Spain Related Companies for the year amounted to US\$10,305,000 (2021: US\$7,623,000), increased by 35.2% YoY. In addition, in December 2021, the Group completed the acquisition of additional equity interests in Tianjin Container Terminal to make it a subsidiary, the profit of the terminal amounted to US\$11,140,000 (2021: loss of US\$295,000) has been included in the profit from terminals in which the Group has controlling stakes in 2022.

In respect of non-controlling terminals, the profit recorded in 2022 was US\$305,699,000 (2021: US\$329,980,000), decreased by 7.4% YoY. In particular, the share of profit of Sigma Enterprises Limited and Wattrus Limited and their subsidiaries (collectively "Yantian Terminal Related Companies") decreased by US\$12,714,000 YoY, while the share of profit of Shanghai Mingdong Terminal decreased by US\$5,597,000 YoY. In addition, the total share of profit of COSCO-HIT Terminal and COSCO-HPHT ACT Limited ("COSCO-HPHT"), which held Asia Container Terminal, decreased by US\$7,672,000 YoY.

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FINANCIAL ANALYSIS

Revenues

In 2022, throughput of terminals in which the Group has controlling stakes increased by 35.3% YoY, and revenues of the Group amounted to US\$1,441,273,000 (2021: US\$1,208,252,000), increased by 19.3% YoY. During the year, revenues of several terminals recorded a notable increase. In particular, although throughput of Piraeus Terminal decreased by 7.3% YoY, it recorded a revenue of US\$306,684,000 (2021: US\$281,481,000), increased by 9.0% YoY, as a result of higher proportion of local containers and higher tariffs, as well as the increase in storage revenue; Xiamen Ocean Gate Terminal recorded a revenue of US\$144,631,000 (2021: US\$128,383,000), increased by 12.7% YoY; CSP Zeebrugge Terminal recorded a revenue of US\$68,614,000 (2021: US\$50,815,000), increased by 35.0% YoY. In addition, Tianjin Container Terminal recorded a revenue of US\$182,543,000 (December 2021: US\$14,769,000) in 2022, increased by US\$167,774,000 YoY.

Cost of Sales

Cost of sales mainly comprised operating expenses of terminals in which the Group has controlling stakes. Cost of sales was US\$1,011,595,000 in 2022 (2021: US\$883,107,000), increased by 14.5% YoY. Benefiting from our efforts in cost control, the increase in cost of sales was lower than the increase in revenue despite general throughput from terminals in which the Group has controlling stakes increased YoY. Amongst which, due to the increase in concession fees driven by the increase in revenue, Piraeus Terminal recorded a cost of US\$231,467,000 (2021: US\$219,361,000), increased by 5.5% YoY; Xiamen Ocean Gate Terminal recorded a cost of US\$71,748,000 (2021: US\$69,710,000), increased by 2.9% YoY; CSP Zeebrugge Terminal recorded a cost of US\$47,961,000 (2021: US\$37,904,000), increased by 26.5% YoY. In addition, Tianjin Container Terminal recorded a cost of US\$122,254,000 (December 2021: US\$13,320,000) in 2022, increased by US\$108,934,000 YoY.

Administrative Expenses

Administrative expenses in 2022 were US\$167,457,000 (2021: US\$138,977,000), increased by 20.5% YoY, which included administrative expenses of US\$30,810,000 (December 2021: US\$1,896,000) recorded by Tianjin Container Terminal in 2022, increased by US\$28,914,000 YoY.

Other Operating (Expenses)/Income, Net

Net other operating expenses were US\$871,000 in 2022 (2021: a net income of US\$85,142,000), a net decreased of US\$86,013,000 YoY was recorded. 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 re-measurement of previously held 16.01% interests in Tianjin Container Terminal at fair value. The Company was allocated the convertible bonds of Beibu Gulf Port on a pro-rata basis according to its shareholding in Beibu Gulf Port in 2021, in which its pre-tax fair value loss of US\$3,466,000 was recorded in 2022 (2021: a gain of US\$11,360,000), decreased by US\$14,826,000 YoY. Meanwhile, the Company's shareholding in Beibu Gulf Port was diluted due to the exercise of conversion rights by other convertible bond holders during the year, resulting in a dilutive effect of US\$3,215,000. Government subsidies recorded in 2022 decreased by US\$11,566,000 YoY. Exchange loss recorded in 2022 increased by US\$6,370,000 YoY.

Finance Costs

The Group's finance costs amounted to US\$126,387,000 in 2022 (2021: US\$111,503,000), increased by 13.3% YoY. The average balance of bank loans for the year amounted to US\$3,041,355,000 (2021: US\$3,025,863,000), increased by 0.5% YoY. The increase in finance costs was mainly due to the increase in the interest rate of the US dollar loan. Taking into account the capitalised interest, the average cost of bank borrowings (including the amortisation of transaction costs over bank loans and notes) was 3.40% in 2022 (2021: 2.92%).

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Share of Profits Less Losses of Joint Ventures and Associates

The Group's share of profits less losses of joint ventures and associates for 2022 totalled US\$308,024,000 (2021: US\$329,390,000), decreased by 6.5% YoY. As container volumes decreased by 4.2% YoY and the government subsidies for the pandemic decreased YoY, share of profit of Yantian Terminals Related Companies amounted to US\$56,658,000 in 2022 (2021: US\$69,372,000), decreased by 18.3% YoY. Due to the re-emergence of the pandemic, throughput of Shanghai Mingdong Terminal decreased by 20.0% YoY, and profit for 2022 amounted to US\$4,813,000 (2021: US\$10,410,000), decreased by 53.8% YoY. Furthermore, share of profit of COSCO-HIT Terminal and COSCO-HPHT amounted to US\$9,244,000 and US\$4,341,000, respectively, in 2022 (2021: US\$12,701,000 and US\$8,556,000, respectively), decreased by 27.2% and 49.3% YoY, respectively, due to the YoY decrease in container volumes by 10.4% and 12.1%, respectively.

Taxation

Taxation for the year amounted to US\$71,262,000 (2021: US\$94,669,000), decreased by 24.7% YoY. The decrease was mainly attributable to the taxation on disposal of Tianjin Euroasia Terminal of US\$10,284,000 included in the taxation for 2021. The taxation of Guangzhou South China Oceangate Terminal decreased by US\$7,616,000 YoY as it was granted a preferential tax rate by local authorities. In addition, the taxation arising from the fair value changes of Beibu Gulf Port's convertible bonds decreased by US\$3,706,000 YoY, leading to a decrease in tax expenses.

FINANCIAL POSITION

Cash Flow

In 2022, the Group continued to receive steady cash flow income. The Group's net cash generated from operating activities amounted to US\$467,638,000 (2021: US\$409,219,000) during the year. In the 2022, the Group borrowed bank loans of US\$1,008,884,000 (2021: US\$559,667,000) and repaid loans of US\$1,215,490,000 (2021: US\$412,589,000). During the year, US\$325,553,000 (2021: US\$376,047,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment.

Financing and Credit Facilities

As at 31 December 2022, the Group's total outstanding borrowings amounted to US\$2,908,623,000 (31 December 2021: US\$3,219,610,000) and cash balance amounted to US\$1,115,166,000 (31 December 2021: US\$1,260,055,000). Banking facilities unutilised amounted to US\$698,602,000 (31 December 2021: US\$1,037,408,000).

Assets and Liabilities

As at 31 December 2022, the Group's total assets and total liabilities were US\$11,310,812,000 (31 December 2021: US\$12,033,310,000) and US\$4,687,221,000 (31 December 2021: US\$5,092,671,000), respectively. Net assets were US\$6,623,591,000 (31 December 2021: US\$6,940,639,000). As at 31 December 2022, net asset value per share of the Company was US\$1.93 (31 December 2021: US\$2.09).

As at 31 December 2022, the net debt-to-total-equity ratio (excluding lease liabilities) was 27.1% (31 December 2021: 28.2%) and the interest coverage was 4.6 times (2021: 5.5 times).

As at 31 December 2022, certain assets of the Group with an aggregate net book value of US\$137,117,000 (31 December 2021: US\$345,109,000), 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\$753,500,000 (31 December 2021: US\$916,232,000).

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Debt analysis

	As at 31 December 2022		As at 31 December 2021	
	US\$	(%)	US\$	(%)
By repayment term				
Within the first year	787,135,000	27.1	913,187,000	28.3
Within the second year	881,396,000	30.3	435,443,000	13.5
Within the third year	95,021,000	3.3	868,585,000	27.0
Within the fourth year	105,802,000	3.6	102,091,000	3.2
Within the fifth year and after	1,039,269,000	35.7	900,304,000	28.0
	2,908,623,000*	100.0	3,219,610,000*	100.0
By category				
Secured borrowings	753,500,000	25.9	916,232,000	28.5
Unsecured borrowings	2,155,123,000	74.1	2,303,378,000	71.5
	2,908,623,000*	100.0	3,219,610,000*	100.0
By denominated currency				
US dollar borrowings	1,507,276,000	51.8	1,270,247,000	39.4
RMB borrowings	759,561,000	26.1	903,729,000	28.1
Euro borrowings	641,786,000	22.1	763,513,000	23.7
HK dollar borrowings	–	–	282,121,000	8.8
	2,908,623,000*	100.0	3,219,610,000*	100.0

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

Financial Guarantee Contracts

As at 31 December 2022 and 31 December 2021, 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 2022, 18.3% (31 December 2021: 29.2%) 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.

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EVENTS AFTER BALANCE SHEET DATE**(a) Acquisition of 56% Interest in Xiamen Haicang Free Trade Port Zone Investment and Construction Management Co., Ltd.**

On 30 December 2022, China Shipping Terminal Development Co., Ltd. ("CSTD", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Xiamen Haitou Supply Chain Operation Co., Ltd. ("Xiamen Haitou Supply Chain") in relation to the sale and purchase of 56% interest in Xiamen Haicang Free Trade Port Zone Investment and Construction Management Co., Ltd ("Xiamen Haicang Investment and Construction Management"), at a total consideration of RMB628,399,700 (equivalent to approximately US\$92,953,000). The equity transfer was completed, and the consideration was transferred to Xiamen Haitou Supply Chain by CSTD on 28 February 2023. Xiamen Haicang Investment and Construction Management has become a subsidiary of the Group since the closing date.

(b) Acquisition of 30% Interest in Xiamen Ocean Gate Container Terminal Co., Ltd.

On 22 February 2023, COSCO SHIPPING Ports (Xiamen) Limited ("CSP Xiamen", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Xiamen Haicang Investment Group Co., Ltd. ("Xiamen Haicang Investment") in relation to the sale and purchase of 30% interest in Xiamen Ocean Gate Terminal, at a total consideration of RMB794,489,900 (equivalent to approximately US\$117,521,000). The consideration shall be paid by CSP Xiamen to Xiamen Haicang Investment in three instalments. The first and second instalments in the amount of RMB754,765,405 (equivalent to approximately US\$111,645,000) and RMB15,889,798 (equivalent to approximately US\$2,286,000) were transferred to Xiamen Haicang Investment on 28 February 2023 and 8 March 2023 respectively. The third instalment will be settled based on the payment terms set out in the equity transfer agreement. The equity transfer was completed on 28 February 2023. Xiamen Ocean Gate Terminal has become a wholly-owned subsidiary of the Group since the closing date.