

# Vice Chairman's Report



A handwritten signature in black ink, appearing to read 'Zhang Wei'.

**ZHANG Wei**

Vice Chairman and Managing Director

I firmly believe that we are well positioned to continue to deliver growth. With the synergies with our parent company, which we see as our unique competitive advantage, and the ongoing support from the shipping alliances, we will continue to grow our capacity and invest strategically to build “The Ports For ALL” in line with our philosophy, a platform that offers mutual benefits, creates shared value for all our stakeholders and maximises returns to our shareholders.

After clearly defining our three key strategies, ie Globalization, Synergy and Control, after our reorganisation in 2016, I am proud to announce that COSCO SHIPPING Ports is progressing well towards attaining the objectives of our Five-Year Plan by adhering firmly to its strategies.

## Further Extends International Footprint

The year 2017 has marked a successful year as our efforts towards globalization of our terminals portfolio and increasing control in port companies achieved notable results. At present COSCO SHIPPING Ports operates and manages 269 berths at 35 ports worldwide, of which 179 are for containers. Total annual handling capacity is approximately 103 million TEU. The number of subsidiaries has been increased from 10 in 2016 to 15.

Noteworthy here is the acquisition of the NPH Group in Spain, and the increase in our stake in Zeebrugge Terminal in Belgium, which is now a wholly-owned subsidiary of COSCO SHIPPING Ports. These have enabled us to further extend our international footprint during the year. The number of overseas terminals under the Group climbed to 13 with the aggregate design capacity expanded by 24.4% to 37,700,000 TEU in 2017.

## A Balanced Portfolio

COSCO SHIPPING Ports remains steadfastly committed to building a world-class and well-balanced terminal network to meet the needs of shipping alliances with extended services, including providing hub ports with a sufficient servicing capability for mega-vessels. With this solid foundation in place, we will continue to execute our three strategies as we further extend our network across the world.



At present, our extensive network in Europe covers the major European hinterland and shipping routes, and CSP Abu Dhabi Terminal is well-placed to act as a shipping hub for major international shipping companies in the Upper Gulf Region of the Middle East. At the same time, the Group is continuing to explore investment opportunities in emerging markets elsewhere including Latin America, Africa and Southeast Asia to provide services which reach around the world.

At home, in line with its three core strategies, we have continued to consolidate our industry-leading position by investing in Wuhan and Nantong so as to seize the development opportunities in the Yangtze River Economic Belt. We participated in the integration of Dalian Container Terminal. The investment in Qingdao Port International and its significant financial contributions to the Group have reaffirmed our sound investment strategy.

Investment aimed at enabling us to manage entire ports across the area remains a major strategic thrust of the Group in the Greater China Region. In this direction we will continue to explore investment opportunities provided by port consolidation in mainland China by capitalising on the unique advantages of the parent company. Besides, we will constantly review our portfolio and business plans to enhance future growth and returns.



### Strong Throughput Growth Underscores Success

Supported by the steady recovery of the global economy, the growth by acquisitions and the synergies with OCEAN Alliance and our parent company, the Group has achieved a total throughput of 100,202,185 TEU, equity throughput was 31,999,491 TEU. Excluding throughput of QPI from May to December 2017, total throughput was 87,932,185 TEU, of which 78.6% was generated from our Greater China portfolio amounting to 69,091,521 TEU, representing an increase of 8% from 63,989,237 TEU recorded in FY2016\*. The China portfolio (excluding Hong Kong and Taiwan) achieved 6.8% growth in total throughput to 63,904,439 TEU (2016: 59,827,565 TEU) accounting for 72.7% of the Group's total. Performance of our overseas terminal portfolio has been encouraging during the year; total throughput of the overseas portfolio increased by 38.7% to 18,840,664 TEU (2016: 13,582,982 TEU) and accounted for 21.4% (FY2016: 17.5%) of the Group's total for the year.

Note: Excluding QQCT throughput.

### Diversifying Our Business Domestically and Overseas

One of our key strategies involves diversifying our business into terminal-related logistics businesses, further penetrating the business chain and building economies of scale in order to enhance the Group's operational efficiency, competitiveness and profitability. In order to realise this element of strategy we have stepped up our pace in developing the logistics business during the year as we aim to optimise the full development potential of the entire port districts in the future. Domestically, in addition to the cooperation agreement signed with Nantong Municipal Government in March, 2017 to jointly operate the Nantong Tonghai Terminal, we have obtained the rights to use a 5,412 Mu (approximately 3,608,000 m<sup>2</sup>) of land outside the terminal to develop a logistics park. In addition, we have partnered with Wuhan Iron and Steel (Group) Corporation to develop a 700 Mu (approximately 466,667 m<sup>2</sup>) transportation centre with full logistics services in Wuhan Yangluo. As for the overseas, in November 2017, at the official ground breaking ceremony for the CSP Abu Dhabi Terminal, we also signed a leasing agreement with Abu Dhabi Ports Company PJSC for the development of a 270,000 m<sup>2</sup> container freight station outside the Terminal.

### Sustainable Growth to Create Value

Upholding our mission to build "The Ports For ALL", we are actively developing a global terminals network and are working towards building a win-win platform that creates the greatest value for all of our stakeholders – shareholders, customers, partners and employees as well as the communities where we operate. At COSCO SHIPPING Ports, sustainability is at the heart of everything we do. We are committed to investing in our people, protecting our environment and contributing positively to the development of the locations we operate. During the year, we continued to promote energy efficient technologies to reduce carbon emissions and remained dedicated to building "green" ports.

While we continue to expand our world-class portfolio of assets, we are committed to providing quality and efficient services to customers at home and abroad. We are dedicated to further enhancing our competitiveness by continuous improvement of the operating efficiency and sustainable development of the ports and terminals. Towards that end, we have signed subscription agreements with Navis, LLC and Total Soft Bank for their terminal operating systems. The N4 terminal operating system of Navis, serving as the brain and localized source of information for the day-to-day operation of our terminal business, is to be gradually deployed to replace the existing system in our terminals and the CATOS Terminal Operating System and Automated Terminal Crane Supervisor System (ATCSS) by Total Soft Bank is to be installed at Abu Dhabi Terminal.

## Prospects

With the global economy forecast to grow continuously across all major regions in 2018, we expect another year full of opportunities yet not without challenges. The rise of protectionism, geopolitical uncertainties and the upward trend of interest rates have the potential to place serious pressure on the development of global trade. However, I firmly believe

that we are well positioned to continue to deliver growth. With the synergies with our parent company, which we see as our unique competitive advantage, and the ongoing support from the Ocean Alliance, we will continue to grow our capacity and invest strategically to build "The Ports For ALL" in line with our philosophy, a platform that offers mutual benefits, creates shared value for all our stakeholders and maximises returns to our shareholders.

As the restructuring of COSCO SHIPPING Ports begins to generate positive results, I am excited and enthusiastic about the opportunities ahead. On behalf of the management, I would like to take this opportunity to thank the Board for their continued support and guidance. Most importantly I wish to extend gratitude to all my colleagues around the world for their hard work, professionalism and tremendous support, which have enabled COSCO SHIPPING Ports to achieve many milestones during 2017.

### ZHANG Wei

Vice Chairman and Managing Director

26 March 2018

