LETTER FROM VICE CHAIRMAN AND MANAGING DIRECTOR

ZHANG Wei
Vice Chairman and Managing Director

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND COLLEAGUES,

I am proud to announce that 2018 has been a remarkable year for COSCO SHIPPING Ports. The culmination of the efforts since we established as a ports operator two years ago has yielded a record financial performance for the Group in the year. Our total revenue grew 57.6% to US$1,000,350,000 for the year, adjusted net profit soared 42.9% to US$324,583,000. Our total throughput growth stayed ahead of the market at 17.1%, and the organic growth was 7.8%.

STAY FOCUS AND STRENGTHEN STRATEGIC PARTNERSHIPS

Our strategy stems from our vision of building "The Ports for ALL", a synergistic platform that offers mutual benefits to all in the shipping industry, connecting global routes and becoming truly "the ports for all people". While we remain committed to strengthening our global terminal network, we took a step back in 2018 amidst the lingering

Letter from Vice Chairman and Managing Director

geopolitical uncertainties and trade tensions, spent more time in better preparing ourselves for the inauguration of Abu Dhabi Terminal in December 2018, and enhancing our relationships with our strategic partners and clients to secure higher volume growth.

We believe by strategic alliance with our business partners can further strengthen our competitiveness and maximise our value in port operations when the maritime industry is reshaping by various new trends. Zeebrugge Terminal became our wholly owned subsidiary in November 2017. With a view to foster its development, Port of Zeebrugge and CMA CGM Group took up 5% and 10% respectively in the terminal.

We have deepened our collaboration with PSA Corporation Limited by adding two new berths at COSCO-PSA Terminal and the berths have started operation since January 2019. Added the two berths, the terminal is now equipped with five container berths with annual capacity of 5 million TEU. It is also in align with our strategy of strengthening presence in South East Asia and supporting the needs of our parent company with the advent of mega-vessels and mega-alliances in the shipping industry.

We inaugurated Abu Dhabi Terminal, our first international green-field subsidiary, in December 2018. With designed annual capacity of 2.5 million TEU, the terminal includes the largest Container Freight Station in the Middle East; we planned to have its official operations in the third quarter of 2019 with 1.5 million TEU handling capacity to start with. With the support of our parent company, we will harness our unparalleled strengths to turn Abu Dhabi into a regional hub and a competitive shipping service center.

Our global footprint further extended to South America when we announced the acquisition of 60% stake in Chancay Terminal, Peru in January 2019. The transaction is expected to complete in the second quarter 2019, upon the completion it will be our second overseas green-field subsidiary.

The pace of our globalisation though was a bit behind our original plan in 2018; we remain committed to building a

Letter from Vice Chairman and Managing Director

well-balanced global terminal network and will continue to explore opportunities in South East Asia, Africa and South America with prudent financial disciplines.

UNPARALLELED STRENGTHS DRIVE AHEAD OF THE MARKET GROWTH

The unique advantage of backup by the shipping fleets of parent company allows us to enjoy ahead of the market growth in volume. While the market had an average growth of 4.2% in 2018, we have achieved 17.1% growth in total throughput, equity throughput increased by 15.8% and we achieved an organic growth of 7.8% in total throughput.

Synergies with OCEAN Alliance further strengthened, volume contributions from OCEAN Alliance increased by 33.7% compared with 2017, and it made up 49.9% of total throughput of our six major subsidiaries. Volume from COSCO SHIPPING Lines and OOCL increased by 33.7% and 29.5% respectively compared with 2017.

With a balanced network of terminals, we were not only benefited from the synergies from our parent company and OCEAN Alliance, but also the support of other shipping alliances; volume contributions from 2M and THE Alliance increased significantly by 58.8% and made up 31.7% of the six major subsidiaries' total throughput.

DEEPEN INVESTMENTS IN CHINA

While we stay focused on the globalisation, port consolidations in China provide us good chance to deepen and broaden our investments in China. As we reported, we are actively participating in the restructuring of major China port groups with a view to enlarge the Group's operation scale and influence in China; and we expect to have some meaningful progress in 2019 and contribute positively to the Group.

The investment we made in Beibu Gulf Port Co. Ltd. will facilitate us to strengthen our presence in Southwest Coast where we now only have small operation at present.

We plan also to step up the development of terminal extended logistic business and divestment of non-performing assets in 2019 to further enhance our profitability. As we announced, we will start the terminal extended logistic business in Pearl River Delta where we have already secured resources in the region and gradually expand the business to other regions of China.

ENHANCE EFFICIENCY TO MAXIMISE RETURNS

While we are expanding in a fast pace, we believe efficiency enhancement in our port operations will facilitate us to have a better performance and it is also one of our key initiatives as a leading ports operator in the world. Trainings about integrating Navis N4 system to terminal operation were held at subsidiaries in 2018. Zeebrugge Terminal, Valencia Terminal under the CSP Spain Group and Lianyungang New Oriental Terminal have successfully integrated the system in their operations during the year. We planned to roll out to one or two subsidiaries in 2019 to further strengthen the efficiency of the terminal operation.

GROWTH CONTINUES DESPITE HEADWINDS IN 2019

As we progress towards another year of growth in 2019 amid the macroeconomic and geopolitical uncertainties, we are facing some headwinds i.e. the adoption of HKFRS 16 and start-up costs of Abu Dhabi Terminal are expected to have negative impacts on the Group's performance.

Under the HKFRS 16, all future concession payments recognised as lease would be calculated at the net present value as "right-of-use" assets similar to other non-financial assets and "lease liabilities" similar to other financial liabilities; as a result depreciation and interest expenses will be incurred. However, it is only an accounting treatment and is a non-cash item.

As for the start-up costs of Abu Dhabi Terminal, it's a necessary step that we need to go through when we bring our green-field project to formal operation. However, with a view to lower the impact of the costs on the Group's overall performance, we will start the trial operation in April 2019 and gradually ramp up the volume so the costs can be partly offset by the income generated when it commences official operation in the third quarter of 2019. With the support of OCEAN Alliance, shipping routes were confirmed to reshuffle from nearby to call at Abu Dhabi Terminal and the first two services will start calling in April 2019.

Nantong Tonghai Terminal, which we started trial operations in June 2018, is expected to achieve throughput of over one million TEU for the full year of 2019 thanks to the unique advantage of the Group. Nantong Tonghai Terminal and Abu Dhabi Terminal will set good examples of bringing a greenfield project into a sizeable and profitable operation at a fast pace.

With these headwinds, we remain confident to grow ahead of the market especially in volume and we will see increased contributions from our subsidiaries so as to offset these negative impacts on the Group.

As we grow from strength to strength, we focus on creating sustainable value. We will remain financially disciplined while stay focus on our growth strategy and value creation. I am confident that COSCO SHIPPING Ports is set for further growth and success in the years ahead.

The hard work, commitment and collaboration of our people will remain cornerstones of our long-term success. I would like to take this opportunity to thank all our colleagues around the world for their hard work, professionalism and tremendous support, which have enabled COSCO SHIPPING Ports to achieve such remarkable results in 2018.

Yours sincerely,

ZHANG Wei
Vice Chairman and Managing Director
28 March 2019