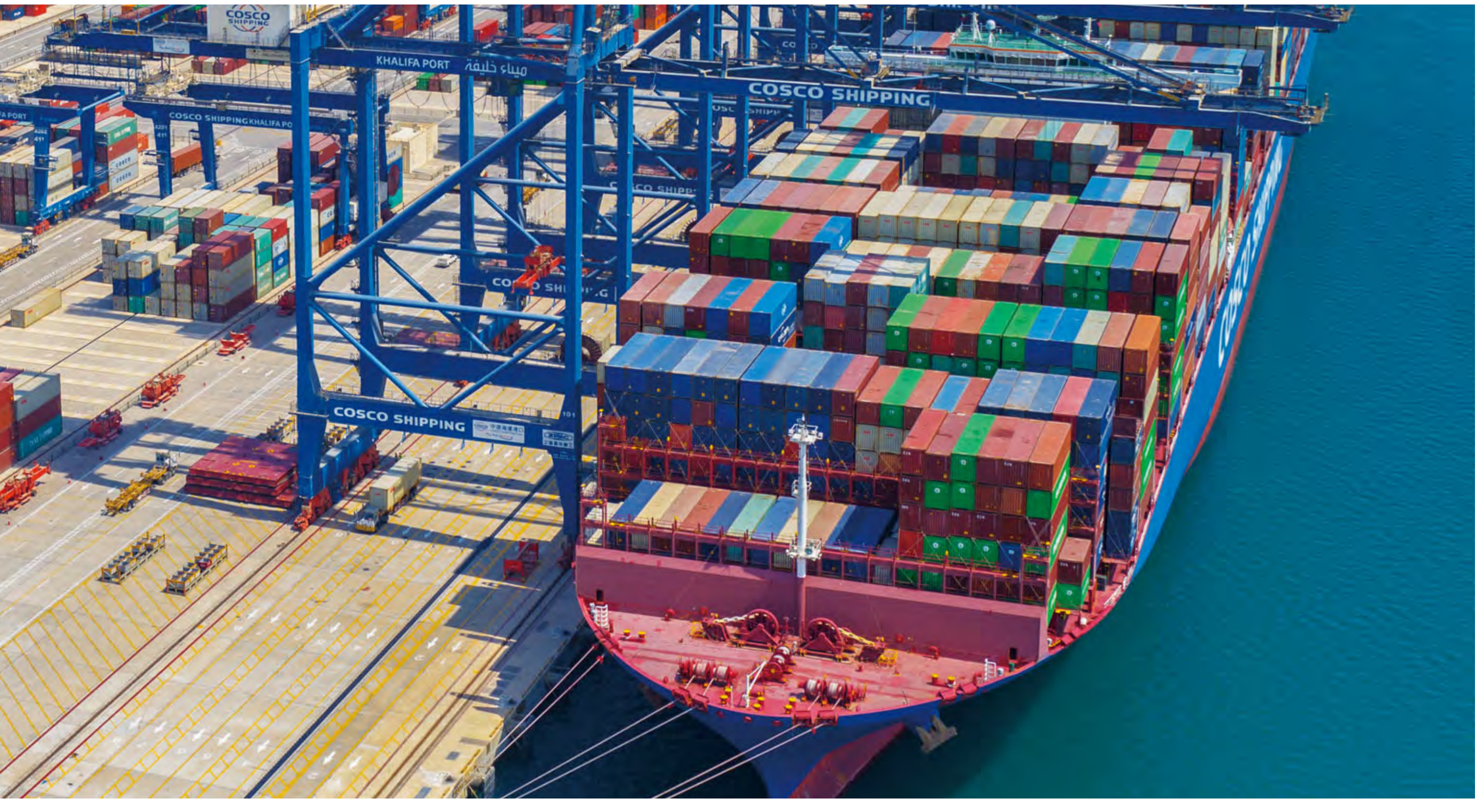
MANAGING DIRECTOR'S REPORT

ZHANG Dayu
Managing Director

In 2020, the Group reported solid performance against the negative impact on world economy and trade under the global spread of the COVID-19 Epidemic. Revenue amounted to US$1,000.6 million, which represented a moderate decline of 2.6% from US$1,027.7 million for the previous year. Profit attributable to equity holders grew by 12.8% to US$347.5 million, while earnings per share advanced by 10.1% to US10.81 cents.

The Group's total throughput remained stable at 123.8 million TEU. Total throughput of the Group's terminals in Greater China dipped by 0.4% to 95.4 million TEU, accounting for 77.0% of the Group's total throughput. Total throughput of overseas terminals increased by 1.6% to 28.4 million TEU. In particular, Greater China saw a gradual recovery in throughput, as terminals of the region (excluding Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal) recorded a 4.0% year-on-year increase in their throughput.



OPTIMISING TERMINAL PORTFOLIO AND GLOBAL LAYOUT

With an eye on identifying projects with growth potential around the globe, the Group acquired 20% equity interests in Red Sea Gateway Terminal on 27 January 2021. Red Sea Gateway Terminal, strategically located in the Red Sea region and adjacent to major waterways, boasts an extensive coverage of container markets in the Middle East and East Africa. As such regions grow their maritime trade in the future, Red Sea Gateway Terminal will witness sustained growth in its container throughput.

In addition, the Group subscribed for 26% equity interests in Beibu Gulf Terminal in 2020. Beibu Gulf Terminal stands as a beneficiary from the promotion and implementation of the "New Land and Marine Routes for Western Regions (西部陸海新通道)" strategy by the PRC, as well as the economic development in Southwest China and Southeast Asia. The project provides an effective boost to the Group's competitive edge, terminal business and profitability.

The Group is an active participant in the restructuring of domestic ports and the strategic disposal of assets to optimise its terminal portfolio. Last year, the Group disposed of Yangzhou Yuanyang Terminal, Zhangjiagang Terminal and Jiangsu Petrochemical. Such transactions are conducive to value creation and enhancement for shareholders. The disposal of interests in port assets is a move of strategic planning in response to changes in regional industrial development. The Group will keep optimising its terminal portfolio in Yangtze River Delta, bolster the development of Nantong Tonghai Terminal and CSP Wuhan Terminal, and remain committed to developing hub ports in Yangtze River Delta.

ENHANCING SYNERGIES AND COOPERATION WITH SHIPPING ALLIANCES

Apart from continuously leveraging on its synergy with the parent company and the OCEAN Alliance, the Group has worked actively to expand other shipping company customers, with greater communication with major shipping companies and efforts to procure the shipping fleets of major shipping alliances to increase their calls at our terminals. Efforts have also been made to keep increasing the percentage of container volume from third-party customers and optimising our customer portfolio.

During the year, we further tapped into our synergies with COSCO SHIPPING Lines and OOCL, which recorded an uptick of 21.1% and 39.3% in their container volume in terminals which the Group has controlling stake in, respectively, compared to the previous year. Benefitting from the boost from 2M and THE Alliance, their combined container volume increased 2.2% year-on-year in terminals which the Group has controlling stake in.

As one of the world's largest ports operators, not only do we further capitalise on the synergies with our parent company and the OCEAN Alliance, we also capture every opportunity to work with major shipping companies and ports operators to deliver a win-win outcome. We also continue to increase our throughput, ramp up port operation capabilities rapidly and bolster customer service capabilities.

CONTINUOUSLY IMPROVING MANAGEMENT CAPABILITIES AND ACTIVELY DEVELOPING PORTS SUPPLY CHAIN PLATFORM

The Group persists in strengthening the control and management capabilities of its ports and terminals business, with unified management in place to integrate the performance of its terminals and elevate the value of its investment projects. In 2020, equity throughput increased to 38.5 million TEU from 29.5 million TEU in 2016. Of the amount, the equity throughput from the terminals in which the Group has controlling stake, increased to 14.3 million TEU from 10.0 million TEU in 2016, registering a compound annual growth rate of 9.3%.

As the Company keeps ramping up its control and management capabilities, terminals in which the Group has controlling stake are actively developing terminal extended business and high-end warehouse services. This aims to develop a ports supply chain platform that extends to both upstream and downstream industries and provide more value-added services to customers. Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal are in the process of developing high-end warehouse services, which are expected to commence operation in 2022. In addition, the Company is developing terminal extended services at terminals in Nantong, Wuhan and other regions to further enhance profitability.

CSP Abu Dhabi CFS, approximately 10 kilometres away from CSP Abu Dhabi Terminal, covers an area of about 275,000 square metres with a storage area of 105,000 square metres, and is furnished with the latest facilities and information technology system. Successful completion of the first phase of the project signalled that the largest container freight station in the Middle East has taken shape. CSP Zeebrugge CFS stands adjacent to CSP Zeebrugge Terminal with railway connection to the terminals in the European interior. CSP Zeebrugge CFS has a utilisation rate of 100% and creates synergy with CSP Zeebrugge Terminal, seeking to offer customers more comprehensive services.

CONTINUING TO BUILD GLOBAL TERMINAL NETWORK LAYOUT

In 2020, we remained focused on building a global terminal network to provide efficient and high-quality services to shipping alliances. With prudent use of financial resources, the Group continues to identify new terminal projects and investment opportunities in Southeast Asia, the Middle East, Africa and South America. Our previously acquired greenfield project is also moving towards its harvesting period. With its utilisation rate on the rise, CSP Abu Dhabi Terminal recorded a throughput of 665,500 TEU in 2020, up by 72.3% year-on-year, as the terminal is stepping up its marketing efforts and actively working on route introduction.

CSP Chancay Terminal is under construction and is expected to be operational in 2022. It is the Company's first greenfield project in which it has controlling stake in South America. The Group works to develop the Port of Chancay into an important gateway port in the continent. Port of Chancay is a natural deep-water port with a maximum depth of 16 metres, which can accommodate mega vessels when they have to berth. Putting the port as a focus, the Group fully utilises COSCO SHIPPING Group's resources and strengths to introduce shipping companies and the logistics industry chain to Port of Chancay, so that it can grow into a key hub port in Latin America, as well as the most important logistics centre along the Pacific Coast.

EFFECTIVELY IMPLEMENTING ANTI-EPIDEMIC MEASURES

In 2020, the Company was challenged by the COVID-19 Epidemic in its operation and production. Accordingly, the Group worked on epidemic prevention and control in a practical manner. On one hand, we strove for effective prevention and control of the epidemic, and on the other hand, we made proper arrangements for production and operation during the epidemic prevention and control period. Despite the epidemic impact on the industry, the Group continued to shoulder its social responsibility, support the work of its employees and attach importance to their safety and health, in an effort to cope with the challenges brought by the epidemic.

PROSPECTS

In 2021, the world economy will remain under the negative impact of the COVID-19 Epidemic, with formidable challenges for global trade and macroeconomics. As such, global capital markets will display a cautious inclination.

The Group will continue with its strategy of lean operations, cost cutting and efficiency enhancement, and strengthen its terminal management capabilities, operational standards and risk management. The Company remains committed to optimising the layout of its global terminal network to meet the needs of shipping alliances with more comprehensive services. It will also seize development opportunities to strengthen its global terminal network.

ZHANG Dayu
Managing Director
30 March 2021