

# CHAIRMAN'S STATEMENT



2021 is the opening year of the “14th Five-Year Plan” of COSCO SHIPPING Ports. In the face of the COVID-19 Epidemic and the uncertainties confronting world economic growth, the Company continued to promote the high-quality development of COSCO SHIPPING Ports under the guidance of the “14th Five-Year Plan”, actively grasped the strategic development opportunities, enhanced the expansion of the Company’s scale and optimised the global terminal network; continued to deepen lean operations to improve the quality and efficiency of terminals; accelerated the extension of supply chain to increase new earnings growth points; accelerated the construction of information technology and seized the opportunity of digital development.

**FENG Boming**  
Chairman



In 2021, the Company continued to promote and implement the “14th Five-Year Plan”. In practice, the two-wheel drive of “building global terminal network” and “lean operations”, as well as the three pillars of information technology construction, supply chain extension and organisation and talent management as stipulated in the “14th Five-Year Plan” have been proved to be correct and effective.

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 2021, the Group’s terminal portfolio covered the five main port regions in Mainland China, as well as the key hub ports in Southeast Asia, the Middle East, Europe, South America and the Mediterranean, with a target annual handling capacity of 141 million TEU.

## CAPITALISE ON GLOBAL GROWTH AND OPTIMISE TERMINAL ASSET PORTFOLIO

By capitalising on the global growth opportunities, the Group identified potential projects and tapped into strategic terminals in which it has controlling stake and highly profitable terminals in which it has a shareholding to build a balanced global terminal network. In particular, the Company consolidated its domestic port resources, thereby restructuring its terminals and improving the quality of assets. Meanwhile, it continued to optimise its existing terminal asset portfolio by strategically disposing of its shares in terminals of low strategic importance and weak financial attractiveness to increase its total asset value.

## Chairman's Statement

The Group will continue to grasp the opportunities to expand its global terminal network and focus on emerging markets such as Southeast Asia, the Middle East and Africa to enhance the regional diversification of its terminal asset portfolio. The Group gave full play to the global terminal network by extending single terminal services to network marketing, in an attempt to provide shipping companies with a low-cost and highly-efficient package of terminal services and promote the growth of container volume and revenue.

### **CONTINUE TO DEEPEN LEAN OPERATIONS TO IMPROVE THE QUALITY AND EFFICIENCY OF ASSETS**

To achieve better quality and efficiency of its terminal asset portfolio, strengthen the management and control over terminals, and build the core competitiveness of the Company, the Group

continued to deepen the "lean operations" strategy. In terms of revenue boost, the Group continued to actively enhance its business marketing capabilities, strengthen market insight and customer value analysis capabilities, focus on customer needs, and upgrade the quality of market development. The Group actively strengthens communication with third-party customers to attract routes of third-party customers to call at our terminals. In 2021, the Group made progress by having an increase of 27 new service routes to the terminals in which it has controlling stake. In terms of cost reduction, terminals in which the Group has controlling stake actively control the cost per TEU, identify the segments and processes for cost optimisation, and strive to enhance the cost competitiveness; continuously deepen the promotion of COE (Center of Excellence) team empowerment, reduce cost and increase efficiency, control the cost per TEU and improve the revenue per TEU.



## Chairman's Statement

**ACCELERATE THE EXTENSION OF SUPPLY CHAIN TO INCREASE NEW EARNINGS GROWTH POINT**

The Group continued to innovate new business models, develop the supply chain business and accelerate the construction of ports extended supply chain platform. Based on its terminals, the Group has developed supply chain warehousing services, gradually built up its logistics network with the supply chain platform as a link and expanded its service categories. These helped the Group better attract and retain customers, bring in new revenue growth points and form a leading service system for integrated logistics supply chain in the world.

The Group is currently developing a new port supply chain ecology comprehensively including inbound railways and logistics facilities based on its investment in hub terminals. In China, we are establishing a supply chain base radiating the Guangdong-Hong Kong-Macao Greater Bay Area, the southeast coast and the central China region, centering on the three key pivots of Xiamen, Wuhan and Nansha, Guangzhou. Overseas, four major supply chain bases have been initially formed, including Piraeus Terminal, CSP Spain Related Companies, CSP Zeebrugge Terminal and CSP Abu Dhabi Terminal and CFS. In addition, we are accelerating the construction of the Chancay supply chain base in Peru, which radiates the western region of South America, and are actively building customer-centric global service capabilities.



## Chairman's Statement

### ACTIVELY PROMOTING INFORMATION TECHNOLOGY TO ENHANCE OPERATING EFFICIENCY

Digitalisation has become an irreversible technological development trend in the global port industry, and digital technology is exerting a profound and far-reaching influence on future ports. The Group kept promoting technological innovation and accelerating information technology application, and established three basic points of promoting the relative unification of its terminal operating systems (TOS), the construction of the management information system (MIS) project and the Enterprise Asset Management systems (EAM), with a view of forming an interactive platform for the lean operations purpose.

The Company constantly promoted the construction of 5G smart ports to build and develop its new strengths. On 21 December 2021, Dongfeng Corporation, China Mobile and COSCO SHIPPING officially launched the commercial operation of their "Smart Port 2.0" scheme at Xiamen Ocean Gate Terminal. Being the first totally automated container terminal in China, Xiamen Ocean Gate Terminal became the first smart port in China to realise full-scenario application of 5G+ relying on the 5G signal covering the terminal in 2020, upgrading from automatic to intelligent development.

### GREEN AND LOW-CARBON APPLICATIONS FOR SUSTAINABLE DEVELOPMENT

COSCO SHIPPING Ports accelerated its green and low-carbon transformation, and worked with communities and industry peers to achieve sustainable development. The Group is actively promoting green and low-carbon applications such as shore power facilities and diesel-to-electric conversion at its terminals while goals like economical decarbonisation is further emphasised globally. Adhere to our people-oriented and customer-first principles, we have been promoting green development, achieving win-win cooperation and building up a harmonious business environment in a down-to-earth way, dedicatedly

creating long-term value for our stakeholders and investing in communities. The Group also upholds the values of integrity and compliance in operation and business cooperation in order to foster trust and build mutually beneficial relationships with its stakeholders and society.

### DIVIDEND

The Board of Directors declared a second interim dividend of US2.160 cents per share. This is a cash distribution with a scrip dividend alternative. Together with the first interim dividend of US2.120 cents per share, it brings the total dividend for 2021 to US4.280 cents per share, representing a 40% payout ratio.

COSCO SHIPPING Ports has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future development. The Board regards a stable payout ratio and steady implementation of long-term business development plans as key commitments to shareholders.

The Group will continue to make good use of its capital, ensure sustainable development of its business, create and enhance value for shareholders on a continuous basis. For the dividend policy, please visit the section headed "Policies & Guidelines" under "Corporate Governance" under "About CSP" at the corporate website (<https://ports.coscoshipping.com>).

### PROSPECTS

Although there are uncertain factors such as the COVID-19 Epidemic, China will maintain its steady economic growth and lead the economic development of the world. Leveraging on the leading position in the global ports operator industry, the Company will continue to grasp development opportunities to expand business scale, strengthen marketing, enhance cost control, streamline operation system, reinforce soft power and improve both earnings and quality through the two-wheel drive of "building global terminal network" and "lean operations".

## Chairman's Statement

The Company will continue to optimize the global terminal network, provide support and pivot for the container fleet of the parent company in the global routes network, to further leverage the synergy from the parent company and the OCEAN Alliance, strengthen the ship calls from other shipping alliances, promote the introduction of new routes, enhance business cooperation with third-party customers, and strive for more routes to call at the Company's terminals so as to achieve the increase of the container volume.

In terms of information technology development, the Company has persistently improved the corporate information-based management capabilities and promoted lean operations of the terminals through information technology development. On the one hand, it would improve the efficiency and performance of terminal operations and improve customer service capabilities; on the other hand, it would enhance terminal operation performance, including reducing costs and improving business management capabilities. The Company has actively built 5G smart port, so as to implement specific business scenarios under 5G smart port on the basis of the construction of 5G dedicated network in ports, combined with technologies such as high precision location and artificial intelligence. The Company is actively undergoing big data preparation to satisfy necessary conditions for the digital transformation of the Company and will keep on proceeding and improving terminal automation.

2022 is critical to the implementation of the "14th Five-Year Plan". The Company will persistently implement development strategies as stipulated in the Company's "14th Five-Year Plan", repeatedly practiced and verified to be effective. To this end, the Company will continue to promote its high-quality development and make steady progress in a persistent and tenacious manner. Looking forward, the Company will go all out, with strong power of execution and innovative thinking of work, to

implement strategies in the Company's "14th Five-Year Plan", and to write a new chapter for the high-quality development of COSCO SHIPPING Ports in becoming a world-class comprehensive ports operator.

## BOARD AND CORPORATE GOVERNANCE

COSCO SHIPPING Ports holds fast to the highest standard of corporate governance. The Board and its committees play an active role in uniting the Company in implementing its development strategy, tapping markets and improving the Company's operating efficiency against the backdrop of uncertain macroeconomy. We will spare no effort to maintain a sound corporate governance structure that underpins global terminal business network and long-term growth.

Under the leadership of the Board of Directors, COSCO SHIPPING Ports is pursuing excellence with a realistic and pragmatic attitude, cultivating strong power of execution to realise self-evolution, seeking common development with partners in the spirit of inclusive cooperation and accelerating its pace to become a world-class comprehensive ports operator. On behalf of the Board, I would like to thank the Management and the staff for their continued dedication and contribution towards the Company throughout the year. We are also thankful for the continued support and positive alliance from our various stakeholders and, last but not least, the continuing support from our shareholders.

### FENG Boming

Chairman  
30 March 2022