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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNUAL RESULTS ANNOUNCEMENT FOR 2020

Announcement of Results for the Year Ended 31 December 2020

- Total throughput remained stable to 123,824,575 TEU
- Total throughput from terminals in which the Group has controlling stakes decreased by 11.1% to 22,328,730 TEU
- Total equity throughput decreased by 3.1% to 38,456,239 TEU
- Profit attributable to equity holders of the Company increased by 12.8% to US\$347,474,000
- Net debt-to-total-equity ratio at the end of 2020 was 26.8%, 7.2 percentage points lower than that at the end of 2019

Financial Highlights

US\$ (million)

	2020	2019	Change (%)
Revenue	1,000.6	1,027.7	-2.6
Cost of sales	768.0	754.9	+1.7
Gross profit	232.6	272.7	-14.7
Share of profits from joint ventures and associates	272.7	267.5	+2.0
Profit attributable to equity holders of the Company	347.5	308.0	+12.8
Earnings per share – Basic (US cents)	10.81	9.82	+10.1
Dividend per share (US cents)			
– Interim	2.068	1.900	+8.8
– Second Interim (2019: Final Dividend)	2.256	2.028	+11.2
Payout ratio	40%	40%	-

FINAL RESULTS

The board of directors (the “Board”) of COSCO SHIPPING Ports Limited (the “Company” or “COSCO SHIPPING Ports”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,358,970	3,125,239
Right-of-use assets		978,473	937,849
Investment properties		9,996	9,566
Intangible assets		474,570	455,632
Joint ventures		1,222,414	1,278,125
Loans to a joint venture		23,218	23,113
Associates		3,112,653	2,752,908
Loans to associates		118,360	147,121
Financial assets at fair value through other comprehensive income		158,206	173,375
Deferred tax assets		110,351	95,333
Other non-current assets		2,409	5,776
		<u>9,569,620</u>	<u>9,004,037</u>
Current assets			
Inventories		14,853	12,348
Trade and other receivables	3	293,172	227,032
Current tax recoverable		5,187	3,711
Restricted bank deposits		31,224	30,285
Cash and cash equivalents		1,310,289	927,194
		<u>1,654,725</u>	<u>1,200,570</u>
Assets classified as held for sale	5	<u>-</u>	<u>271,911</u>
		<u>1,654,725</u>	<u>1,472,481</u>
Total assets		<u><u>11,224,345</u></u>	<u><u>10,476,518</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		42,574	40,596
Reserves		<u>5,507,630</u>	<u>4,954,865</u>
		5,550,204	4,995,461
Non-controlling interests		<u>827,022</u>	<u>769,744</u>
Total equity		<u>6,377,226</u>	<u>5,765,205</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		115,300	135,043
Lease liabilities		784,243	733,948
Long term borrowings		2,748,292	2,407,664
Loans from non-controlling shareholders of a subsidiary		737	484
Derivative financial instruments		7,752	8,878
Put option liability		225,679	217,711
Other long term liabilities		<u>51,063</u>	<u>35,035</u>
		3,933,066	3,538,763
Current liabilities			
Trade and other payables and contract liabilities	4	536,890	586,963
Current tax liabilities		31,912	14,338
Current portion of lease liabilities		42,093	36,425
Current portion of long term borrowings		226,651	228,957
Short term borrowings		72,798	279,829
Derivative financial instruments		<u>3,709</u>	<u>3,209</u>
		914,053	1,149,721
Liabilities directly associated with assets classified as held for sale	5	<u>-</u>	<u>22,829</u>
		914,053	1,172,550
Total liabilities		<u>4,847,119</u>	<u>4,711,313</u>
Total equity and liabilities		<u>11,224,345</u>	<u>10,476,518</u>

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Revenues	2	1,000,629	1,027,658
Cost of sales		<u>(767,987)</u>	<u>(754,934)</u>
Gross profit		232,642	272,724
Administrative expenses		(120,182)	(123,998)
Other operating income	6	134,883	94,345
Other operating expenses		<u>(11,526)</u>	<u>(30,561)</u>
Operating profit	7	235,817	212,510
Finance income	8	14,690	12,415
Finance costs	8	<u>(114,650)</u>	<u>(108,863)</u>
Operating profit (after finance income and costs)		135,857	116,062
Share of profits less losses of			
- joint ventures		78,219	86,359
- associates		<u>194,501</u>	<u>181,095</u>
Profit before taxation		408,577	383,516
Taxation	9	<u>(34,967)</u>	<u>(33,566)</u>
Profit for the year		<u>373,610</u>	<u>349,950</u>
Profit attributable to:			
Equity holders of the Company		347,474	308,017
Non-controlling interests		<u>26,136</u>	<u>41,933</u>
		<u>373,610</u>	<u>349,950</u>
Earnings per share for profit attributable to equity holders of the Company			
- Basic	10	<u>US10.81 cents</u>	<u>US9.82 cents</u>
- Diluted	10	<u>US10.81 cents</u>	<u>US9.82 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Profit for the year	373,610	349,950
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of an associate - other reserves	(864)	2,474
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	(19,161)	(6,032)
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	293,136	(74,097)
Release of reserve upon deemed disposal of an associate	-	(24)
Release of reserve upon disposal of subsidiaries	(4,722)	-
Release of reserve upon disposal of an associate	3,468	(1,451)
Release of reserve upon remeasurement of equity investment	-	(3,457)
Cash flow hedges, net of tax - fair value gain/(loss)	499	(935)
Share of other comprehensive income of joint ventures and associates		
- exchange reserves	9,070	(1,046)
- other reserves	326	(125)
Other comprehensive income/(loss) for the year, net of tax	281,752	(84,693)
Total comprehensive income for the year	655,362	265,257
Total comprehensive income attributable to:		
Equity holders of the Company	577,739	233,976
Non-controlling interests	77,623	31,281
	655,362	265,257

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) and investment properties measured at fair value.

1.1 Adoption of amendments to existing standards

In 2020, the Group has adopted the following amendments to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2020:

Amendments

HKAS 1 and HKAS 8 Amendment	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Interest Rate Benchmark Reform – Phase 1
HKFRS 3 Amendment	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to existing standards does not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group’s accounting policies.

1. BASIS OF PREPARATION (CONTINUED)

1.2 New standard, interpretation, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2020 and have not been early adopted by the Group

The HKICPA has issued the following new standard, interpretation, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2020:

		Effective for accounting periods beginning on or after
New standard, interpretation and amendments		
AG 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 Amendment	Proceeds before Intended Use	1 January 2022
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 Amendment	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 3 Amendment	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 Amendment	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 Amendment	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Preparation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvements 2018 – 2020 Cycle		
HKAS 41 Amendment	Taxation in Fair Value Measurements	1 January 2022
HKFRS 1 Amendment	Subsidiary as a First-time Adopter	1 January 2022
HKFRS 9 Amendment	Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities	1 January 2022
HKFRS 16 Amendment	Lease Incentives	1 January 2022

The Group has not early adopted above new standard, interpretation, amendments and improvements to existing standards and will apply these new standard, interpretation, amendments and improvements as and when they become effective. The Group has already commenced an assessment of the related impact of these new standard, interpretation, amendments and improvements to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the consolidated financial statements.

2. SEGMENT INFORMATION

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. Terminals and related businesses were identified as the operating segment in accordance with the Group's business.

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

The segment of "Others" primarily includes corporate level activities. Assets under the segment of "Others" comprise property, plant and equipment, right-of-use assets, investment properties, intangible assets, inter-segment loans, other receivables and prepayments and cash and cash equivalents.

Additions to non-current assets comprise additions to property, plant and equipment, intangible assets and right-of-use assets.

Segment assets

	Terminals and related businesses US\$'000	Others US\$'000	Elimination US\$'000	Total US\$'000
At 31 December 2020				
Segment assets	<u>10,137,784</u>	<u>1,304,583</u>	<u>(218,022)</u>	<u>11,224,345</u>
Segment assets include:				
Joint ventures	1,222,414	-	-	1,222,414
Associates	3,112,653	-	-	3,112,653
Financial assets at fair value through other comprehensive income ("FVOCI")	<u>158,206</u>	<u>-</u>	<u>-</u>	<u>158,206</u>
At 31 December 2019				
Segment assets	<u>9,741,724</u>	<u>1,281,322</u>	<u>(546,528)</u>	<u>10,476,518</u>
Segment assets include:				
Joint ventures	1,278,125	-	-	1,278,125
Associates	2,752,908	-	-	2,752,908
Financial assets at FVOCI	<u>173,375</u>	<u>-</u>	<u>-</u>	<u>173,375</u>

2. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Terminals and related businesses US\$'000	Others US\$'000	Elimination US\$'000	Total US\$'000
Year ended 31 December 2020				
Revenues - total sales	<u>1,000,629</u>	<u>-</u>	<u>-</u>	<u>1,000,629</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>387,935</u>	<u>(40,461)</u>	<u>-</u>	<u>347,474</u>
Segment profit/(loss) includes:				
Finance income	991	27,518	(13,819)	14,690
Finance costs	(87,258)	(41,287)	13,895	(114,650)
Share of profits less losses of				
- joint ventures	78,219	-	-	78,219
- associates	194,501	-	-	194,501
Taxation	(40,599)	5,632	-	(34,967)
Gain on disposal of subsidiaries	71,150	-	-	71,150
Depreciation and amortisation	(196,498)	(3,946)	-	(200,444)
Other non-cash expenses	<u>(4,039)</u>	<u>(3)</u>	<u>-</u>	<u>(4,042)</u>
Additions to non-current assets	<u>(205,844)</u>	<u>(7,864)</u>	<u>-</u>	<u>(213,708)</u>

2. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Terminals and related businesses US\$'000	Others US\$'000	Elimination US\$'000	Total US\$'000
Year ended 31 December 2019				
Revenues - total sales	<u>1,027,658</u>	<u>-</u>	<u>-</u>	<u>1,027,658</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>354,025</u>	<u>(46,008)</u>	<u>-</u>	<u>308,017</u>
Segment profit/(loss) includes:				
Finance income	1,196	35,754	(24,535)	12,415
Finance costs	(82,952)	(50,420)	24,509	(108,863)
Share of profits less losses of				
- joint ventures	86,359	-	-	86,359
- associates	181,095	-	-	181,095
Taxation	(40,081)	6,515	-	(33,566)
Depreciation and amortisation	(186,549)	(3,511)	-	(190,060)
Other non-cash expenses	<u>(984)</u>	<u>-</u>	<u>-</u>	<u>(984)</u>
Additions to non-current assets	<u>(397,500)</u>	<u>(2,117)</u>	<u>-</u>	<u>(399,617)</u>
Additions arising from business combinations	<u>(164,391)</u>	<u>-</u>	<u>-</u>	<u>(164,391)</u>

2. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

(i) Revenues

In respect of terminals and related businesses, revenues are based on the geographical areas in which the business operations are located.

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Terminals and related businesses		
- Mainland China (excluding Hong Kong)	417,760	467,532
- Europe	557,604	554,525
- Others	25,265	5,601
	<u>1,000,629</u>	<u>1,027,658</u>

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, right-of-use assets, investment properties, intangible assets, joint ventures, associates and other non-current assets.

In respect of the Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

The activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Mainland China, Greece, Spain, Belgium, Abu Dhabi, Peru, Turkey, the Netherlands, Italy, Egypt, Hong Kong, Singapore and Taiwan.

	Subsidiaries and corporate <i>US\$'000</i>	Joint ventures and associates <i>US\$'000</i>	Total <i>US\$'000</i>
2020			
Mainland China (excluding Hong Kong)	2,333,858	3,380,136	5,713,994
Europe	1,652,794	14,890	1,667,684
Others	837,766	940,041	1,777,807
	<u>4,824,418</u>	<u>4,335,067</u>	<u>9,159,485</u>
2019			
Mainland China (excluding Hong Kong)	2,172,194	3,036,156	5,208,350
Europe	1,567,983	17,647	1,585,630
Others	793,885	977,230	1,771,115
	<u>4,534,062</u>	<u>4,031,033</u>	<u>8,565,095</u>

3. TRADE AND OTHER RECEIVABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables		
- third parties	59,675	56,478
- fellow subsidiaries	19,345	15,914
- non-controlling shareholders of subsidiaries	4,869	11,365
- a joint venture	-	319
- an associate	5	-
- related companies	4,438	6,346
	88,332	90,422
Bills receivables	4,617	8,927
	92,949	99,349
Less: provision for impairment	(573)	(895)
	92,376	98,454
Deposits and prepayments	27,526	15,850
Other receivables	112,404	92,890
Loan to a joint venture	-	784
Loan to an associate	47,810	-
Amounts due from		
- fellow subsidiaries	844	380
- non-controlling shareholders of subsidiaries	965	2,058
- joint ventures	239	464
- associates	11,008	16,152
	293,172	227,032

The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the combined trade receivables and bills receivables (net of provision) based on invoice date and issuance date respectively is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 30 days	55,251	58,707
31 - 60 days	24,446	26,093
61 - 90 days	9,036	8,722
Over 90 days	3,643	4,932
	92,376	98,454

4. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade payables		
- third parties	55,639	47,191
- fellow subsidiaries	2,476	3,474
- non-controlling shareholders of subsidiaries	3,179	1,456
- joint ventures	185	146
- an associate	-	103
- related companies	1,430	2,474
	<u>62,909</u>	<u>54,844</u>
Accruals	34,342	32,518
Other payables	229,440	266,784
Contract liabilities	11,789	11,369
Dividend payable	7	11
Loans from a joint venture	34,483	32,253
Loan from an associate	-	17,201
Loans from non-controlling shareholders of subsidiaries	84,266	92,684
Amounts due to		
- fellow subsidiaries	2,162	1,870
- non-controlling shareholders of subsidiaries	77,247	76,376
- joint ventures	245	1,047
- an associate	-	6
	<u>536,890</u>	<u>586,963</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 30 days	37,068	36,662
31 - 60 days	9,387	4,958
61 - 90 days	5,172	3,034
Over 90 days	11,282	10,190
	<u>62,909</u>	<u>54,844</u>

5. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 18 September 2019, the Company entered into agreements in respect of the disposal of all the shares in COSCO Ports (Yangzhou) Limited (“CP (Yangzhou)”) together with its 51% interest in Yangzhou Yuanyang International Ports Co., Ltd. (“Yangzhou Yuanyang Terminal”) and all the shares in Win Hanverky Investments Limited (“Win Hanverky”) together with its 51% interest in Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (“Zhangjiagang Terminal”) and 4.59% interest in Yangzhou Yuanyang Terminal to Shanghai International Port Group (HK) Co., Limited (“SIPG (HK)”) at considerations of approximately RMB316,039,000 (equivalent to approximately US\$45,772,000) and approximately RMB380,774,000 (equivalent to approximately US\$55,148,000) respectively. Accordingly, assets and liabilities of the disposal entities were reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2019.

	2019 US\$'000
Assets classified as held for sale	
Property, plant and equipment	158,432
Property under development	28,802
Investment properties	8,808
Right-of-use assets	42,983
Intangible assets	206
Other non-current asset	12,374
Inventories	784
Trade and other receivables	8,548
Current tax recoverable	221
Cash and cash equivalents	10,753
	<u>271,911</u>
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	18,491
Current tax liabilities	271
Lease liabilities	4,067
	<u>22,829</u>

The disposal was completed on 10 February 2020. The aggregate sum of payables owing to the Group by the disposed entities of approximately US\$29,967,000 were also transferred to SIPG (HK) on the same day at the same consideration. Upon completion of the disposal, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of the Group. The disposal resulted in a pre-tax gain of US\$71,150,000.

6. OTHER OPERATING INCOME

	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Management fee and other service income	7,431	7,410
Dividend income from a listed financial asset at financial assets at fair value through profit or loss (“FVPL”)	-	1,149
Dividends income from listed and unlisted financial assets at FVOCI	2,321	2,008
Reversal of provision for impairment of trade receivables	-	525
Rental income from		
- investment properties	729	815
- buildings	54	57
Gain on disposal of property, plant and equipment	428	172
Gain on disposal of a subsidiary and an associate	-	28,299
Gain on disposal of subsidiaries (note 5)	71,150	-
Gain on disposal of an associate	9,951	-
Gain on remeasurement of equity investments	9,896	6,861
Government subsidies	10,079	10,473
Exchange gain, net	16,125	920
Fair value gain of a financial asset at FVPL	-	24,383
Others	6,719	11,273
	134,883	94,345

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Charging:		
Amortisation of intangible assets	23,190	21,602
Depreciation		
- right-of-use assets	36,337	37,330
- property, plant and equipment	140,917	131,128
Loss on disposal of property, plant and equipment	3,212	1,583
Loss on deemed disposal of an associate	-	22,553
Provision for inventories	105	396
Provision for impairment of trade receivables	413	-
Provision for impairment of construction in progress	891	-
Rental expenses under leases of		
- land and buildings leased from third parties	372	694
- land and buildings leased from non-controlling shareholders of subsidiaries	2,579	2,734
- plant and machinery leased from third parties	2,057	2,606
- concession from a fellow subsidiary (note)	60,286	60,315
- concession from third parties (note)	8,211	9,065
- concession from a non-controlling shareholder of a subsidiary (note)	2,511	-
Total staff costs (including directors' emoluments and retirement benefit costs)		
- wages, salaries and other benefits	294,239	310,961
- share option expenses	1,889	2,282
	296,128	313,243

Note: The amounts represent variable lease payments linked to revenues/throughput.

8. FINANCE INCOME AND COSTS

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Finance income		
Interest income on		
- bank balances and deposits	5,945	5,816
- deposits with other financial institution	3,112	1,929
- loans to joint ventures and associates	4,419	4,670
- loans to a former subsidiary	1,214	-
	<u>14,690</u>	<u>12,415</u>
Finance costs		
Interest expenses on		
- bank loans	(70,193)	(79,288)
- notes wholly repayable within five years	(13,125)	(13,125)
- loans from other financial institutions	(440)	(1,397)
- loans from non-controlling shareholders of subsidiaries	(1,539)	(3,737)
- loans from a joint venture	(761)	(761)
- loan from an associate	(353)	(334)
- lease liabilities	(28,352)	(26,749)
Amortised amount of		
- discount on issue of notes	(119)	(175)
- transaction costs on bank loans and notes	(3,177)	(2,941)
	<u>(118,059)</u>	<u>(128,507)</u>
Less: amount capitalised in construction in progress	<u>5,945</u>	<u>22,598</u>
	<u>(112,114)</u>	<u>(105,909)</u>
Other incidental borrowing costs and charges	<u>(2,536)</u>	<u>(2,954)</u>
	<u>(114,650)</u>	<u>(108,863)</u>
Net finance costs	<u>(99,960)</u>	<u>(96,448)</u>

9. TAXATION

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current taxation		
- Hong Kong profits tax	(9,891)	(2,030)
- Mainland China taxation	(38,108)	(39,144)
- Overseas taxation	(11,462)	(12,224)
- Over provision in prior years	<u>1,249</u>	<u>2,367</u>
	(58,212)	(51,031)
Deferred taxation credit	<u>23,245</u>	<u>17,465</u>
	<u>(34,967)</u>	<u>(33,566)</u>

Hong Kong profits tax was provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to equity holders of the Company	<u>US\$347,474,000</u>	<u>US\$308,017,000</u>
Weighted average number of ordinary shares in issue	<u>3,213,469,814</u>	<u>3,135,085,181</u>
Basic earnings per share	<u>US10.81 cents</u>	<u>US9.82 cents</u>

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration as if all outstanding dilutive share options granted by the Company had been exercised.

For the year ended 31 December 2020, the outstanding share options granted by the Company did not have any dilutive effect on the earnings per share, and the diluted earnings per share is equal to the basic earnings per share.

11. DIVIDENDS

	2020 US\$'000	2019 US\$'000
Interim dividend paid of US2.068 cents (2019: US1.900 cents) per ordinary share	67,135	60,069
Second interim dividend, declared of US2.256 cents (2019: final dividend of US2.028 cents) per ordinary share	<u>74,793</u>	<u>64,125</u>
	<u>141,928</u>	<u>124,194</u>

Note:

At a meeting held on 30 March 2021, the directors declared a second interim dividend (in lieu of a final dividend) of HK17.5 cents (equivalent to US2.256 cents) per ordinary share. The dividend will be payable in cash. The second interim dividend declared is not reflected as dividend payable in these consolidated financial statements but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

12. EVENTS AFTER BALANCE SHEET DATE

(a) Acquisition of 20% equity interests in Red Sea Gateway Terminal Company Limited

On 27 January 2021, Sound Joyce Enterprises Limited (a wholly-owned subsidiary of the Company) (as purchaser), Saudi Industrial Services Company, City Island Holdings Limited, Xenel Industries Limited and Saudi Trade and Export Development Company Limited (together as Sellers), and Red Sea Ports Development Company entered into a share purchase agreement pursuant to which, the sellers have conditionally agreed to sell, and Sound Joyce Enterprises Limited has conditionally agreed to purchase shares which represent approximately 20.00% of the total issued share capital of Red Sea Gateway Terminal Company Limited ("RSGT") (the "RSGT Acquisition") at a consideration of US\$140,000,000 in cash. Please refer to the announcement of the Company dated 27 January 2021 for details.

After completion of the RSGT Acquisition, RSGT will become an associate of the Company. As at the date of this announcement, the RSGT Acquisition was not completed.

(b) Acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd.

On 26 February 2021, COSCO SHIPPING Ports (Tianjin) Limited (a wholly-owned subsidiary of the Company) (as purchaser), Tianjin Port Holdings Co., Ltd. (as seller) and the Company entered into an equity transfer agreement in relation to the acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal")(the "TCT Acquisition") at a consideration of RMB1,348,371,228.15 in cash. The final consideration for the TCT Acquisition shall be adjusted upon completion of the transaction. Please refer to the announcement of the Company dated 26 February 2021 for details.

Together with the 16.01% equity interests in Tianjin Container Terminal currently held by the Group, the Company will have 51% in Tianjin Container Terminal after completion of the TCT Acquisition and Tianjin Container Terminal will become a subsidiary of the Company. As at the date of this announcement, the TCT Acquisition was not completed.

AUDITOR’S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been compared by the Company’s auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group’s consolidated financial statements for the year ended 31 December 2020 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SECOND INTERIM DIVIDEND

The Board has declared a second interim cash dividend (in lieu of a final dividend) of HK17.5 cents (2019: final dividend of HK15.7 cents) per share, which will be payable on 5 May 2021 to shareholders whose names appear on the register of members of the Company at the close of business on 22 April 2021.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to the second interim dividend

For determining the entitlement to the second interim dividend, the register of members of the Company will be closed from 19 April 2021 to 22 April 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 16 April 2021.

(b) For determining the entitlement to attend and vote at the Annual General Meeting

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 25 May 2021 (“2021 AGM”). For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 20 May 2021 to 25 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited, for registration not later than 4:30 p.m. on Tuesday, 18 May 2021.

FINANCIAL REVIEW

With the outbreak of novel coronavirus pneumonia epidemic (the “COVID-19 Epidemic”) in early 2020, related prevention and control measures continued throughout the world, which had an impact on business and economic activities. As the domestic terminals business performance gradually recovered in the second half of 2020 and the Group completed its strategic planning projects during the year, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US\$347,474,000 (2019: US\$308,017,000), a 12.8% increase compared with last year.

2020 strategic planning projects included the one-off after-tax disposal gain of US\$61,472,000 resulted from the disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, and the one-off after-tax disposal gain of US\$7,074,000 and US\$9,896,000 resulted from the disposal of the interests in Jiangsu Yangtze Petrochemical Co., Ltd. (“Jiangsu Petrochemical”) and Guangxi Qinzhou International Container Terminal Co., Ltd. (“Qinzhou International Terminal”), respectively. The one-off profit and effect in 2019 included the after-tax gain of US\$27,411,000 resulted from the disposal of COSCO Ports (Nanjing) Limited (“CP (Nanjing)”) and its 16.14% stakes in Nanjing Port Longtan Container Co., Ltd. (“Nanjing Longtan Terminal”), the after-tax gain of US\$4,544,000 on consolidation of Tianjin Container Terminal, and the one-off dilution effect on equity interests of US\$22,553,000 in Qingdao Port International Co., Ltd. (“QPI”) according to the strategic planning projects.

In 2020, profit from terminals in which the Group has controlling stakes amounted to US\$34,652,000 (2019: US\$49,830,000), a 30.5% decrease compared with last year; profit from non-controlling terminals was US\$274,841,000 (2019: US\$294,793,000), a 6.8% decrease compared with last year. The decline in the profit from terminals in which the Group has controlling stakes was attributed to the lower profit due to the influence of greenfield terminals under construction which had not commenced operations (including COSCO SHIPPING Ports Chancay PERU S.A. (“CSP Chancay Terminal”) and Wuhan CSP Terminal Co., Ltd., etc.), as well as the throughput and revenue of the terminals just commenced operation (including CSP Abu Dhabi Terminal L.L.C. (“CSP Abu Dhabi Terminal”) and Nantong Tonghai Port Co., Ltd. (“Nantong Tonghai Terminal”)), which were to be improved and not yet sufficient to cover the operating costs and hence recorded a loss in the early stage of terminal development. Excluding the share of losses of greenfield terminals, the profit from terminals in which the Group has controlling stakes was US\$58,751,000 (2019: US\$70,149,000), a 16.2% decrease compared with last year. Profit from terminals in which the Group has controlling stakes was mainly attributable to Piraeus Container Terminal Single Member S.A. (“Piraeus Terminal”), Guangzhou South China Oceangate Container Terminal Company Limited (“Guangzhou South China Oceangate Terminal”) and Xiamen Ocean Gate Container Terminal Co., Ltd. (“Xiamen Ocean Gate Terminal”). Under the impact of the epidemic, throughput of Piraeus Terminal in 2020 decreased by 5.1% compared with last year. In addition, following the completion and commencement of operation of the second phase of the western part of Pier 3 in the second half of 2019, depreciation expense increased and the profit recorded by Piraeus Terminal in 2020 was US\$19,454,000 (2019: US\$28,652,000), a 32.1% decrease compared with last year. Throughput of Guangzhou South China Oceangate Terminal in 2020 increased by 2.3% compared with last year, while the average total loan amount decreased which led to a decrease in finance costs, its profit amounted to US\$19,065,000 for the year (2019: US\$15,811,000), a 20.6% increase compared with last year. After including the amortization of the fair value at the consolidation level, COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries (“CSP Spain Related Companies”) recorded a loss amounted to US\$1,384,000 (2019: profit of US\$3,629,000) for the year, mainly due to the impact of the epidemic and a 4.6% decrease in throughput which led to a decrease in revenue.

In respect of non-controlling terminals, in late 2019, COSCO SHIPPING Ports increased its shareholdings in Beibu Gulf Port Co., Ltd. (“Beibu Gulf Port”) which became an associate of the Group thereafter. Its share of profit in 2020 was calculated according to the equity method while in 2019, it was included in gains from changes in fair value and dividends income. Due to adjustment to tax rates and the decrease of throughput, share of loss of Euromax Terminal Rotterdam B.V. (“Euromax Terminal”) amounted to US\$3,089,000 (2019: profit of US\$4,902,000) for the year. The share of profit of Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. (“Kumport Terminal”) amounted to US\$8,763,000 (2019: US\$16,459,000) in 2020, due to the decrease in throughput compared with last year. In addition, addition of terminal equipment in the second half of 2019 led to an increase in depreciation compared with last year, as well as a decrease in share of profits due to foreign exchange losses. Furthermore, share of profit of Sigma Enterprises Limited and Watrus Limited and their subsidiaries (collectively “Sigma and Watrus Related Companies”) amounted to US\$48,070,000 (2019: US\$51,687,000) for the year, a 7.0% decrease compared with last year, which was mainly due to the fact that Yantian Terminal Phase III’s tax concession as a national high-tech enterprise ended in late 2019, the tax rate has increased from 15% to 25% in 2020. On the other hand, with a gradual increase in its shareholding in QPI in 2019, there was an increase in share of profit of QPI accordingly. Share of profit of QPI amounted to US\$105,749,000 (2019: US\$94,512,000) in 2020, an 11.9% increase compared with last year, which partially offset the decrease of profits of joint ventures and associates.

Financial Analysis

Revenues

Revenues of the Group in 2020 amounted to US\$1,000,629,000 (2019: US\$1,027,658,000), a 2.6% decrease compared with last year. The disposals of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal were completed in early 2020 and COSCO SHIPPING Ports excluded their revenue in 2020, resulting in a decrease in revenue of US\$49,476,000 in aggregate. In addition, the business volume of the terminals decreased mainly due to the epidemic, which in turn resulted in a decrement of revenue as compared with last year. In 2020, CSP Spain Related Companies recorded a revenue of US\$268,783,000 (2019: US\$278,301,000), a 3.4% decrease compared with last year. On the other hand, CSP Abu Dhabi Terminal officially commenced operation in the fourth quarter of 2019. It only recorded revenue for the fourth quarter in 2019 and CSP Abu Dhabi Terminal recorded a revenue of US\$25,105,000 (2019: US\$5,601,000) in 2020. Guangzhou South China Oceangate Terminal recorded a revenue of US\$171,651,000 (2019: US\$162,909,000) for the year, a 5.4% increase compared with last year, and CSP Zeebrugge Terminal NV (“CSP Zeebrugge Terminal”) and Nantong Tonghai Terminal recorded revenue of US\$30,618,000 and US\$29,588,000 (2019: US\$19,735,000 and US\$21,463,000) respectively due to new business obtained, representing 55.1% and 37.9% increases respectively compared with last year which partially offset the decrease in revenue.

Cost of sales

Cost of sales mainly comprised operating expenses of terminals in which the Group has controlling stakes. Cost of sales in 2020 was US\$767,987,000 (2019: US\$754,934,000), a 1.7% increase compared with last year. Although the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal were completed in early 2020 and the costs of these terminals no longer included by COSCO SHIPPING Ports in 2020, leading to a decrease in expenses of US\$30,719,000, the operating expenses of some terminals increased compared with last year, which led to an increase in overall operating expenses. These include CSP Abu Dhabi Terminal officially commenced operation in the fourth quarter of 2019, and US\$37,708,000 (2019: US\$11,809,000) was included in its annual cost of sales in 2020; CSP Zeebrugge Terminal and Nantong Tonghai Terminal recorded costs of US\$27,952,000 and US\$24,382,000 (2019: US\$24,416,000 and US\$18,307,000) respectively due to new business obtained; throughput of Guangzhou South China Oceangate Terminal increased compared with last year, recorded a cost of US\$90,298,000 (2019: US\$85,522,000) in 2020, a 5.6% increase compared with last year; Piraeus Terminal recorded a cost of US\$202,476,000 (2019: US\$199,377,000) in 2020, a 1.6% increase compared with last year, due to the increase in depreciation of right-to-use assets and fixed assets.

Administrative expenses

Administrative expenses in 2020 were US\$120,182,000 (2019: US\$123,998,000). Among which, following the completion of the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, COSCO SHIPPING Ports ceased to include the administrative expenses of those terminals in 2020 (2019: US\$4,112,000). In addition, the administrative expenses in respect of epidemic prevention expenses recorded in 2020 amounted to US\$645,000 (2019: Nil) due to the epidemic.

Other operating income/(expenses), net

Net other operating income in 2020 was US\$123,357,000 (2019: US\$63,784,000). In 2020, the one-off pre-tax gains in respect of the disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, Jiangsu Petrochemical and Qinzhou International Terminal according to the Company's strategic planning were US\$71,150,000, US\$9,951,000 and US\$9,896,000 respectively. In 2019, the one-off pre-tax gain of US\$28,299,000 in respect of the disposal of CP (Nanjing) and its 16.14% stakes in Nanjing Longtan Terminal according to the strategic planning and the pre-tax gain of US\$6,861,000 on consolidation of Tianjin Container Terminal were included. Gain from changes in fair value and dividend income of Beibu Gulf Port were not included in other operating income in 2020 (2019: US\$25,532,000) as it became an associate after increasing its shareholding in late 2019. Furthermore, there was a one-off dilution effect on equity interests of US\$22,553,000 in QPI in 2019.

Finance costs

The Group's finance costs in 2020 amounted to US\$114,650,000 (2019: US\$108,863,000), a 5.3% increase compared with last year. The average balance of bank loans for the year amounted to US\$2,853,105,000 (2019: US\$2,773,877,000), a 2.9% increase compared with last year. The increase in finance costs was due to the fact that the finance costs of certain greenfield terminals were no longer capitalised after they commenced operation. Taking into account the capitalised interest, the average cost of bank borrowings in 2020 (including the amortization of transaction costs over bank loans and notes) was 3.24% (2019: 3.77%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates in 2020 totalled US\$272,720,000 (2019: US\$267,454,000), a 2.0% increase compared with last year. Among which, with a gradual increase in its shareholding in QPI in 2019, there was an increase in share of profit of QPI in line with its shareholding. The share of profit of QPI in 2020 amounted to US\$105,749,000 (2019: US\$94,512,000), an 11.9% increase compared with last year. Share of associate's profit of Beibu Gulf Port in 2020 was included based on the equity method, while gain from changes in its fair value and its dividends income were included in other operating income in 2019. As a result of adjustment to tax rates and the decline in throughput, share of loss of Euromax Terminal of US\$3,089,000 (2019: profit of US\$4,902,000) was recorded for the year. Share of profit of Kumport Terminal in 2020 decreased to US\$8,763,000 (2019: US\$16,459,000), mainly attributable to a decrease in throughput compared with last year, an increase in depreciation due to addition of terminal equipment in the second half of 2019, and exchange loss. Furthermore, share of profit of Sigma and Wattrus Related Companies amounted to US\$48,070,000 (2019: US\$51,687,000), a 7.0% decrease compared with last year, which was mainly due to the fact that Yantian Terminal Phase III's tax concession as a national high-tech enterprise ended in late 2019, the tax rate has increased from 15% to 25% in 2020.

Taxation

Taxation for the year amounted to US\$34,967,000 (2019: US\$33,566,000), a 4.2% increase compared with last year. Although tax expenses decreased resulting from a year-on-year drop in profit from terminals in which the Group has controlling stakes and the taxation of Zhangjiagang Terminal (2019: US\$2,047,000) was excluded after its disposal, there were provisions for tax expenses of strategic planning projects in 2020 which resulted in an increase in tax expenses as compared with last year.

Financial Position

Cash flow

In 2020, the Group continued to receive steady cash flow income, its net cash generated from operating activities amounted to US\$326,240,000 (2019: US\$353,264,000) during the year. In 2020, the Group borrowed bank loans of US\$744,277,000 (2019: US\$771,075,000) and repaid loans of US\$740,932,000 (2019: US\$309,344,000).

During the year, US\$224,428,000 (2019: US\$242,462,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment. In addition, an amount of approximately US\$56,738,000 was used to acquire circulating foreign shares in QPI representing 1.33% equity interests during the year (2019: approximately US\$59,723,000 was used to acquire 1.34% equity interests). Approximately US\$59,276,000 was received from a subsidiary of QPI for the disposal of part of the equity interest in COSCO SHIPPING Ports (Abu Dhabi) Limited. US\$100,920,000 was received for the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, and the payables and entrusted loans due to the Company totalled approximately US\$150,313,000, and RMB129,000,000 (equivalent to approximately US\$18,207,000) of the disinvestment from Qingdao Qianwan Intelligent Container Terminal Co., Ltd was received. The acquisition of 26% equity interest of Guangxi Beibu Gulf International Container Terminal Co., Ltd (“Beibu Gulf Terminal”) was made through injection of 40% equity interest in Qinzhou International Terminal into Beibu Gulf Terminal and a cash payment of RMB486,824,000 (equivalent to approximately US\$74,006,000). During 2019, the Group acquired 60% equity interests in CSP Chancay Terminal, a subsidiary of the Company, at a consideration of US\$225,000,000, of which US\$56,250,000 was paid, and increased its shareholdings in Beibu Gulf Port at a consideration of US\$129,212,000.

Financing and credit facilities

As at 31 December 2020, the Group’s total outstanding borrowings amounted to US\$3,047,741,000 (31 December 2019: US\$2,916,450,000) and cash balance amounted to US\$1,341,513,000 (31 December 2019: US\$957,479,000). Banking facilities available but unused amounted to US\$813,455,000 (31 December 2019: US\$969,830,000).

Assets and liabilities

As at 31 December 2020, the Group’s total assets and total liabilities were US\$11,224,345,000 (31 December 2019: US\$10,476,518,000) and US\$4,847,119,000 (31 December 2019: US\$4,711,313,000), respectively. Net assets were US\$6,377,226,000 (31 December 2019: US\$5,765,205,000). Net current assets as at 31 December 2020 amounted to US\$740,672,000 (31 December 2019: US\$299,931,000). As at 31 December 2020, net asset value per share of the Company was US\$1.92 (31 December 2019: US\$1.82).

As at 31 December 2020, the net debt-to-total-equity ratio (excluding lease liabilities) was 26.8% (31 December 2019: 34.0%) and the interest coverage was 4.6 times (2019: 4.5 times).

As at 31 December 2020, certain assets of the Group with an aggregate net book value of US\$340,672,000 (31 December 2019: US\$378,555,000), 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\$1,052,879,000 (31 December 2019: US\$990,140,000).

Debt analysis

By repayment term	As at 31 December 2020		As at 31 December 2019	
	US\$	(%)	US\$	(%)
Within the first year	299,449,000	9.8	508,786,000	17.5
Within the second year	658,312,000	21.6	265,941,000	9.1
Within the third year	430,725,000	14.1	411,968,000	14.1
Within the fourth year	799,512,000	26.3	707,903,000	24.3
Within the fifth year and after	859,743,000	28.2	1,021,852,000	35.0
	3,047,741,000 *	100.0	2,916,450,000 *	100.0
By category				
Secured borrowings	1,052,879,000	34.5	990,140,000	34.0
Unsecured borrowings	1,994,862,000	65.5	1,926,310,000	66.0
	3,047,741,000 *	100.0	2,916,450,000 *	100.0
By denominated currency				
US dollar borrowings	1,119,283,000	36.8	1,163,246,000	39.9
RMB borrowings	763,015,000	25.0	577,486,000	19.8
Euro borrowings	881,667,000	28.9	829,024,000	28.4
HK dollar borrowings	283,776,000	9.3	346,694,000	11.9
	3,047,741,000 *	100.0	2,916,450,000 *	100.0

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

Financial guarantee contracts

As at 31 December 2020 and 31 December 2019, 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 2020, 30.7% (31 December 2019: 37.0%) 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.

Events after balance sheet date

Please refer to the explanatory note 12 "EVENTS AFTER BALANCE SHEET DATE" on page 19 of this announcement.

OPERATIONAL REVIEW

Market Review

In 2020, the COVID-19 Epidemic spread over the world brought great negative impact on the economy of all countries around the world. The World Economic Outlook released by the International Monetary Fund (IMF) in January 2021 estimated that the global economy would contract by 3.5% in 2020.

In spite of major uncertainties over the global economy and trade, China's imports and exports steadily increased in 2020. According to General Administration of Customs of the PRC, China's imports and exports reached RMB32 trillion in 2020, increased by 1.9% YoY. In particular, exports increased by 4% YoY to RMB18.6 trillion and imports decreased by 0.7% YoY to RMB13.4 trillion.

Overall Performance

Despite challenges casted over global trade, COSCO SHIPPING Ports continuously implemented lean operations strategy in 2020. Throughput was up 3.5% to 32,732,299 TEU in the fourth quarter of 2020 (4Q2019: 31,615,221 TEU) mainly driven by throughput growth of the Pearl River Delta, Southwest Coast and Overseas regions. The total throughput of the Group remained stable at 123,824,575 TEU in 2020 (2019: 123,784,335 TEU).

The total throughput from terminal companies in which the Group has controlling stake decreased by 11.1% to 22,328,730 TEU (2019: 25,104,282 TEU), accounting for 18.0% of the Group's total. Excluding throughput of the disposed Yangzhou Yuanyang Terminal and Zhangjiagang Terminal, total throughput from terminal companies in which the Group has controlling stake decreased by 7.1% to 22,248,882 TEU (2019: 23,945,834 TEU). The total throughput from non-controlling terminals increased by 2.9% to 101,495,845 TEU (2019: 98,680,053 TEU), accounting for 82.0% of the Group's total. The Group's total equity throughput decreased by 3.1% to 38,456,239 TEU in 2020 (2019: 39,670,783 TEU).

	2020 (TEU)	2019 (TEU)	Change (%)
Total Throughput	123,824,575	123,784,335	+0.0
Throughput from terminals in which the Group has controlling stake	22,328,730	25,104,282	-11.1
Throughput from the Group's non-controlling terminals	101,495,845	98,680,053	+2.9
Equity Throughput	38,456,239	39,670,783	-3.1
Equity throughput from terminals in which the Group has controlling stake	14,261,352	16,056,895	-11.2
Equity throughput from the Group's non-controlling terminals	24,194,887	23,613,888	+2.5

Greater China

Total throughput of the Greater China region decreased by 0.4% to 95,380,835 TEU in 2020 (2019: 95,789,852 TEU) and accounted for 77.0% of the Group's total.

Bohai Rim

Total throughput of the Bohai Rim region increased by 3.0% to 41,884,560 TEU in 2020 (2019: 40,659,612 TEU) and accounted for 33.8% of the Group's total. In particular, throughput of QPI grew by 4.8% to 22,010,000 TEU (2019: 21,010,000 TEU).

Yangtze River Delta

Total throughput of the Yangtze River Delta region decreased by 27.0% to 14,768,442 TEU in 2020 (2019: 20,238,468 TEU) and accounted for 11.9% of the Group's total. The drop in throughput was mainly due to completion of the disposal of Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal by the Group. Excluding throughput of these three terminals, throughput of Yangtze River Delta region dropped by 8.7% to 14,688,593 TEU in 2020 (2019: 16,079,514 TEU). Benefitting from the strong recovery of domestic and foreign trade demand for the second half of the year, Nantong Tonghai Terminal made greater marketing efforts in increasing shipping service and introduced several new shipping services successfully with its throughput increased by 23.8% to 1,405,658 TEU (2019: 1,135,840 TEU). Thanks to the integrated operation of Chuanshan Port Area, the throughput of Ningbo Yuan Dong Terminals Limited increased by 3.1% to 3,103,386 TEU (2019: 3,010,164 TEU). Shanghai Mingdong Container Terminals Limited actively tapped domestic market in the second half of the year to drive container volume growth, seeing the throughput increased by 1.4% to 6,246,932 TEU (2019: 6,160,365 TEU).

Southeast Coast

Total throughput of the Southeast Coast region decreased by 5.8% to 5,445,662 TEU in 2020 (2019: 5,783,821 TEU) and accounted for 4.4% of the Group's total. Trade demand decreased significantly in the first half of the year regarding the impact of the epidemic. However, as container shipping market gradually recovered in the second half of the year, the throughput of Xiamen Ocean Gate Terminal increased steadily by 0.4% to 2,070,159 TEU (2019: 2,061,341 TEU).

Pearl River Delta

Total throughput of the Pearl River Delta region increased by 1.6% to 27,898,470 TEU in 2020 (2019: 27,469,330 TEU) and accounted for 22.5% of the Group's total. Benefitting from new foreign trade shipping services, the throughput of Guangzhou South China Oceangate Terminal increased by 2.3% to 5,753,628 TEU (2019: 5,624,830 TEU).

Southwest Coast

Total throughput of the Southwest Coast region increased by 228.6% to 5,383,701 TEU in 2020 (2019: 1,638,621 TEU) and accounted for 4.3% of the Group's total, which was mainly because the throughput of Beibu Gulf Port was included since January 2020 and the throughput of Beibu Gulf Port amounted to 3,362,302 TEU in 2020.

Overseas Region

Total throughput of the overseas region increased by 1.6% to 28,443,740 TEU in 2020 (2019: 27,994,483 TEU) and accounted for 23.0% of the Group's total. Due to the decrease in global economic demand impacted by the epidemic, the throughput of Piraeus Terminal decreased by 5.1% to 4,896,886 TEU (2019: 5,158,626 TEU). The throughput of CSP Spain Related Companies decreased by 5.5% to 3,387,820 TEU (2019: 3,585,276 TEU). Benefitting from new shipping services, the throughput of CSP Abu Dhabi Terminal increased by 72.3% to 665,500 TEU (2019: 386,258 TEU).

PROSPECTS

Although the global macroeconomic condition is facing major challenges and countries around the world are still facing uncertainty brought by the COVID-19 Epidemic, COSCO SHIPPING Ports achieved continuous improvement in both throughput and earnings in the fourth quarter. Looking ahead to 2021, COSCO SHIPPING Ports will continue to improve its global terminal portfolio and realise the Company's scale expansion strategy by focusing on project development and overseas investment. The Company will also strengthen its operation and control system based on lean operations and management control capacities to enhance the quality and efficiency of the terminal portfolio, as well as dedicate its efforts to achieve the strategic goal of "becoming a customer centric and leading integrated ports operator in the world".

COSCO SHIPPING Ports will continue to capture opportunities such as asset merger and restructuring and sale of global terminals to expand the global terminal network. Acquisitions and disposals as well as accelerating expansion of supply chain extension projects help optimise the terminal portfolio. While promoting the growth in scale through its global network, the Group will continuously consolidate lean operations and strengthen management control capacity of the terminals. Moreover, the Group will actively improve the informatization and digitization, enhance asset quality and efficiency, maintain cost control effectively and strengthen marketing capabilities. The Group will also strengthen its communication and actively introduce routes with shipping companies to seek a development strategy that emphasises both full-scale development and profit growth, as well as strive to create greater value and bring better returns to its shareholders.

Throughput of the Group for the year ended 31 December 2020 was set out below:

	2020 (TEU)	2019 (TEU)	Change (%)
Bohai Rim	41,884,560	40,659,612	+3.0
Qingdao Port International Co., Ltd.	22,010,000	21,010,000	+4.8
Dalian Container Terminal Co., Ltd.	4,981,782	8,525,291	-41.6
Dalian Dagang China Shipping Container Terminal Co., Ltd.	21,003	22,006	-4.6
Tianjin Port Euroasia International Container Terminal Co., Ltd.	3,060,267	2,860,127	+7.0
Tianjin Five Continents International Container Terminal Co., Ltd. ^{Note 1}	N/A	1,906,220	N/A
Tianjin Port Container Terminal Co., Ltd. ^{Note 1}	7,866,145	2,568,105	+206.3
Yingkou Terminals ^{Note 2}	2,600,520	2,380,569	+9.2
Jinzhou New Age Container Terminal Co., Ltd.	722,981	770,037	-6.1
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	621,862	617,257	+0.7
Yangtze River Delta	14,768,442	20,238,468	-27.0
Shanghai Pudong International Container Terminals Limited	2,443,406	2,550,390	-4.2
Shanghai Mingdong Container Terminals Limited	6,246,932	6,160,365	+1.4
Ningbo Yuan Dong Terminals Limited	3,103,386	3,010,164	+3.1
Lianyungang New Oriental International Terminals Co., Ltd.	1,089,116	2,819,448	-61.4
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ^{Note 3}	48,008	657,849	-92.7
Yangzhou Yuanyang International Ports Co., Ltd. ^{Note 3}	31,841	500,599	-93.6
Nanjing Port Longtan Container Co., Ltd. ^{Note 4}	N/A	3,000,506	N/A
Taicang International Container Terminal Co., Ltd.	400,095	403,307	-0.8
Nantong Tonghai Port Co., Ltd.	1,405,658	1,135,840	+23.8
Southeast Coast and others	5,445,662	5,783,821	-5.8
Xiamen Ocean Gate Container Terminal Co., Ltd.	2,070,159	2,061,341	+0.4
Quan Zhou Pacific Container Terminal Co., Ltd.	1,332,207	1,588,589	-16.1
Jinjiang Pacific Ports Development Co., Ltd.	443,748	498,846	-11.0
Kao Ming Container Terminal Corp.	1,599,548	1,635,045	-2.2
Pearl River Delta	27,898,470	27,469,330	+1.6
Yantian International Container Terminals Co., Ltd.	13,348,546	13,069,120	+2.1
Guangzhou Terminals ^{Note 5}	11,463,110	11,333,019	+1.1
Hong Kong Terminals ^{Note 6}	3,086,814	3,067,191	+0.6
Southwest Coast	5,383,701	1,638,621	+228.6
Guangxi Qinzhou International Container Terminal Co., Ltd. ^{Note 7}	1,599,524	1,638,621	-2.4
Guangxi Beibu Gulf International Container Terminal Co., Ltd. ^{Note 7}	421,875	N/A	N/A
Beibu Gulf Port Co., Ltd. ^{Note 8}	3,362,302	N/A	N/A
Overseas	28,443,740	27,994,483	+1.6
Piraeus Container Terminal Single Member S.A.	4,896,886	5,158,626	-5.1
CSP Zeebrugge Terminal NV	609,277	483,601	+26.0
CSP Spain Related Companies ^{Note 9}	3,387,820	3,585,276	-5.5
CSP Abu Dhabi Terminal L.L.C. ^{Note 10}	665,500	386,258	+72.3
COSCO-PSA Terminal Private Limited	5,090,751	5,011,091	+1.6
Reefer Terminal S.p.A.	60,256	54,430	+10.7
Euromax Terminal Rotterdam B.V.	2,454,617	2,792,987	-12.1
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş.	1,217,240	1,281,850	-5.0
Suez Canal Container Terminal S.A.E.	3,783,388	3,161,084	+19.7
Antwerp Gateway NV	2,270,425	2,109,308	+7.6
SSA Terminals (Seattle), LLC	248,370	204,068	+21.7
Busan Port Terminal Co., Ltd.	3,759,210	3,765,904	-0.2
Total	123,824,575	123,784,335	+0.0

- Note 1: According to the merger agreement entered into on 30 June 2019, Tianjin Container Terminal as the surviving entity absorbed and merged with Tianjin Five Continents International Container Terminal Co., Ltd (“FICT”) and Tianjin Orient Container Terminal Co., Ltd (“TOCT”). The throughput of FICT and TOCT was included in the throughput of Tianjin Container Terminal since September 2019 and the comparable figure for 2019 was the throughput for September to December 2019.
- Note 2: Throughput of Yingkou Terminals was the total throughput of Yingkou Container Terminals Company Limited and Yingkou New Century Container Terminal Co., Ltd.
- Note 3: On 10 February 2020, the Company completed the sale of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal and therefore their throughput were not included in the throughput of the Company since February 2020. The figures of the two terminals for 2020 were the throughput for January 2020.
- Note 4: On 20 December 2019, the Company completed the sale of Nanjing Longtan Terminal and therefore its throughput was not included in the throughput of the Company since January 2020.
- Note 5: Throughput of Guangzhou Terminals was the total throughput of Guangzhou South China Oceangate Terminal and Nansha Stevedoring Corporation Limited of Port of Guangzhou.
- Note 6: Throughput of Hong Kong Terminals was the total throughput of COSCO-HIT Terminals (Hong Kong) Limited and Asia Container Terminals Limited.
- Note 7: On 30 November 2020, the Group completed the acquisition of equity interest in Beibu Gulf Terminal through injection of its equity interest in Qinzhou International Terminal into Beibu Gulf Terminal and cash consideration. Therefore, throughput of Beibu Gulf Terminal was included since December 2020 and throughput of Qinzhou International Terminal in 2020 was the throughput for January to November 2020 only.
- Note 8: Throughput of Beibu Gulf Port was included since January 2020. Such throughput did not include throughput of Qinzhou International Terminal and Beibu Gulf Terminal, which had been separately listed out.
- Note 9: CSP Spain Related Companies comprises COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries.
- Note 10: Throughput of CSP Abu Dhabi Terminal was included since April 2019 and the comparable figure for 2019 was the throughput for April to December 2019.
- Note 11: Total throughput of bulk cargo, excluding the throughput of Beibu Gulf Port, for the year ended 31 December 2020 was 77,413,837 tons (2019: 78,092,660 tons), representing a decrease of 0.9%. Total throughput of automobile for the year ended 31 December 2020 was 750,112 vehicles (2019: 885,899 vehicles), representing a decrease of 15.3%. Throughput of reefer of Reefer Terminal S.p.A. (Vado Reefer Terminal) for the year ended 31 December 2020 was 386,091 pallets (2019: 398,566 pallets), representing a decrease of 3.1%.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the consolidated financial statements for the year ended 31 December 2020.

Remuneration Committee

The Remuneration Committee of the Company comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the remuneration policy of directors and senior management of the Group, reviews their remuneration packages and makes recommendations to the Board regarding the directors' fee and annual salary of executive directors and senior management.

Nomination Committee

The Nomination Committee of the Company comprises three members, a majority of whom are independent non-executive directors. The Committee reviews the structure, size and composition of the Board and the policy regarding Board diversity, and identifies individuals suitably qualified to become Board members and make recommendations to the Board and assessing the independence of all independent non-executive directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include the Executive Committee, the Investment and Strategic Planning Committee, the Environmental, Social and Governance Committee (formerly the Corporate Governance Committee) and the Risk Management Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website at <https://ports.coscoshipping.com>.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares during 2020.

OVERALL MANAGEMENT AND AWARDS

COSCO SHIPPING Ports’ efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2020, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- Awarded “Best Shipping Port Operator (Ports sector) Hong Kong”, “Best Investor Relations Company (Ports sector) Hong Kong” and “Most Sustainable Company (Ports sector) Hong Kong” and “Best CSR Company (Ports sector) Hong Kong” from International Business Magazine;
- Awarded “Best Investor Relations Company Hong Kong” and “Best Port Operator Hong Kong” from Finance Derivative Magazine;
- Awarded “Most Innovative Port Operator” by International Finance Magazine;
- Awarded “Best Container Operator of the Year” and “Most Socially Responsible Port Operator” from Global Business Outlook Magazine;
- Awarded “Best Port Operator” by Business Tabloid Magazine;
- Awarded “Transportation and Logistics In-House Team of the Year” by Asian Legal Business, a well-recognised professional magazine;
- Awarded “Winner – Compliance Team” and ranked as one of the “Highly recommended – Aviation, Shipping & Logistics Teams” by Chinese Business Law Journal;
- Awarded “Citation for Environment, Social and Governance Disclosure” and “Excellence Award for H Share & Red Chip Entries - Annual Reports Awards” from The Hong Kong Management Association;
- Awarded “Best Investor Relations Company”, “Asia’s Best CEO (Investor Relations)” and “Best Investor Relations Professional” from Corporate Governance Asia Magazine;
- Awarded “Inno ESG Prize” by Inno ESG;
- Awarded “Corporate Website Bronze Prize” by 2020 Galaxy Awards;
- Awarded “Best Mid-Cap ESG Report Commendation”, “Best GRI Report Commendation”, “Excellence in ESG Governance Commendation” and “Excellence in Environmental Positive Impact” by Alaya Consulting;
- Awarded “Sustainability and Social Responsibility Reporting Awards (Special Mention)” from The Hong Kong Institute of Certified Public Accountants; and
- Awarded “Titanium Award in Environmental, Social and Governance” from The Asset Magazine.

INVESTOR RELATIONS

COSCO SHIPPING Ports highly values investor relations. It strengthens the communication with investors during its daily operations as an important part of its corporate governance. The Company is continuously committed to enhancing its corporate transparency, adopting stringent and transparent disclosure standards, and precisely announcing corporate information on a timely basis, including releases monthly terminal throughput and quarterly results voluntarily.

In 2020, the Group actively implements the strategy of lean operations. While continuously enhancing the global terminal network, the Company realizes that making investors and shareholders understand the business and development strategies of the Group on a timely manner is the most important task in terms of investor relations.

Investor Relation Department strives to strengthen the communication with shareholders, investors and analysts and timely respond to the inquiries from investors; actively organizes activities such as investor presentation, telephone conferences on results, and press conferences, with an aim to strengthen the understanding of the market and stakeholders on the Group's business, and prepares the environmental, social and governance report, so as to enhance corporate governance of the Company.

With an aim to strengthening the communication, the Group launched a series of activities on the investor relations in 2020, aiming at enhancing the transparency of the Company, including active participating in the investor meetings organized by brokers, strengthening the communication with the shareholders of the Company, and answering the questions from the market on a timely basis. By doing so, more investors understand the operations and development strategies of the Company, increasing the market confidence in the Company. The Group held meetings with around 260 funds in 2020, and communicated with around 350 investors and analysts from China, the United Kingdom, the United States, Australia, Singapore, South Korea and Malaysia, showing that the Company has actively organized and participated in investor activities while improving the communication between the shareholders, investors and analysts.

CORPORATE SUSTAINABLE DEVELOPMENT

The outbreak of the COVID-19 Epidemic has severely hit the global economy and society, impacting many aspects of economic activities and business operations. Amid difficult times, COSCO SHIPPING Ports strived to expand the market and optimise internal management by staying united with an aim to ensuring epidemic prevention and normal operations while proactively supporting local communities to overcome the hardships.

Caring for Our People

The Company has done a lot of work to fight the epidemic, ranging from setting up a special task force to coordinate the preventive measures of the headquarters and the terminals in which it has controlling stake, allocating protective items to support local employees, enhancing promotion of epidemic prevention measures to maintaining smooth communications with an aim to preventing the outbreak of the epidemic, safeguarding the health and safety of employees and the operations of the Company, and effectively curbing the epidemic.

Customers First

Amid the spread of the epidemic, the Company proactively solved problems for customers by maintaining close contact with them and mitigated the impact of port closures by coordinating the services of terminal companies in order to ensure smooth loading and unloading activities. Our operating results for the year remained steady thanks to effective marketing.

Green Development

During the year, the Company proactively advocated the concept of green ports, including revising administrative measures to enhance ecological protection, pollution prevention and control, typhoon and flood control, and contingency plans and management of accidental environmental pollution, enhancing supervision and regulation as well as eliminating potential risks, so as to further improve the safety management system and promote green development.

Win-win Cooperation

The Company adhered to the principle of lean management by strengthening the strategic cooperation with business partners, and proactively facilitated technological innovation and transformation to explore the application of 5G technology with an aim to enhancing the synergy of resources allocation along the supply chain of the ports.

Investing in Communities

With the COVID-19 Epidemic running rampant all over the world, the Company was committed to fulfilling corporate social responsibility while maintaining normal operations by coordinating terminal companies to open up “green channels” to prioritise ships carrying anti-epidemic materials for direct berthing, handling and unloading, as well as donating anti-epidemic materials to the most impacted countries to combat the epidemic.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. FENG Boming¹ (Chairman), Mr. ZHANG Dayu¹ (Managing Director), Mr. DENG Huangjun¹, Mr. ZHANG Wei², Mr. CHEN Dong², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. LAM Yiu Kin³, Prof. CHAN Ka Lok³ and Mr. YANG Liang Yee Philip³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

By Order of the Board
COSCO SHIPPING Ports Limited
FENG Boming
Chairman

Hong Kong, 30 March 2021