廈門國際港務股份有限公司

XIAMEN INTERNATIONAL PORT CO., LTD*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 3378

2019 Annual Report

* For identification purpose only

2019 ANNUAL REPORT

Xiamen International Port Co., Ltd

Contents

Corporate Information

EXECUTIVE DIRECTORS[1]

CAI Liqun *(Chairman)*
CHEN Zhaohui
LIN Fuguang
CHEN Zhen

NON-EXECUTIVE DIRECTORS

CHEN Zhiping
MIAO Luping
FU Chengjing
HUANG Zirong
BAI Xueqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Feng
LIN Pengjiu
YOU Xianghua
JIN Tao
JI Wenyuan

SUPERVISORS[2]

DU Hongjia
ZHANG Guixian
LIAO Guosheng
LIU Xiaolong
TANG Jinmu
XIAO Zuoping

COMPANY SECRETARY[3]

CAI Changzhen

AUTHORISED REPRESENTATIVES

CHEN Zhaohui
CAI Changzhen

REGISTERED ADDRESS

No. 439 Gangnan Road, Haicang District
Xiamen City, Fujian Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

AUDITORS

International auditor:
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

as to Hong Kong law:
Vincent T. K. Cheung, Yap & Co.

as to PRC law:
King & Wood Mallesons

PRINCIPAL BANKERS

Industrial & Commercial Bank of China
China Construction Bank
Communications Bank of China
Bank of China
China Merchants Bank

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3378

LISTING DATE

19 December 2005

Notes:

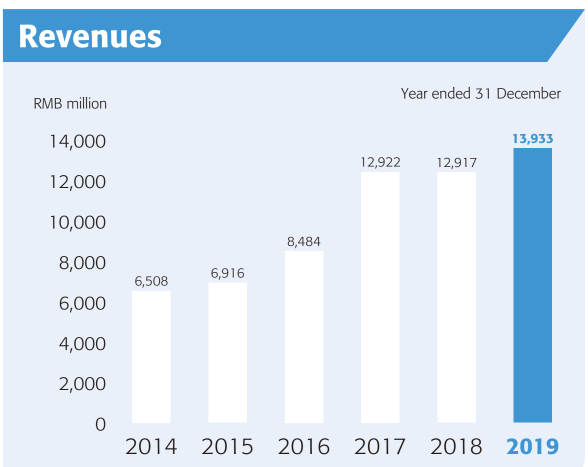
1. Mr. LIN Fuguang and Mr. CHEN Zhen have been newly appointed as executive Directors since 28 February 2020.
2. Mr. DU Hongjia has been newly appointed as a Supervisor and the Chairman of the Supervisory Committee since 23 August 2019; Mr. WU Weijian resigned from the position of staff representative Supervisor on 13 December 2019, on the same date, Mr. LIU Xiaolong has been appointed as a staff representative Supervisor.
3. Ms. LAM Yuk Ling resigned from the position of joint company secretary on 18 April 2019.

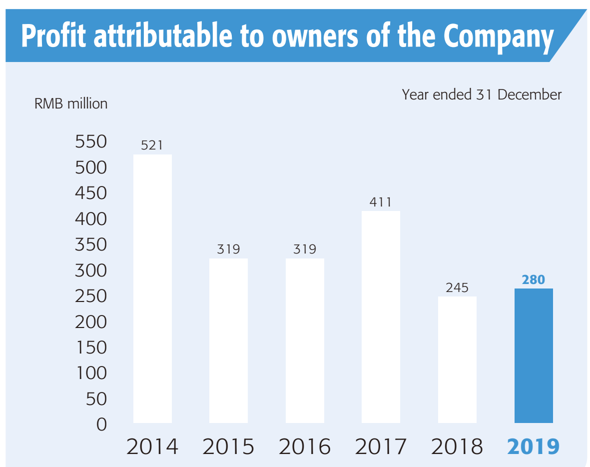
Corporate Profile

Xiamen International Port Co., Ltd ("Xiamen Port" or the "Company") and its subsidiaries (collectively referred to as the "Group") is the largest port terminal operator in Xiamen, the People's Republic of China (the "PRC" or "China"). It is also the only company providing full scale comprehensive port logistic services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and comprehensive port logistic services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of merchandise in Xiamen. The Group currently operates six container terminals, namely the Haitian Container Terminal ("Haitian Terminal"), Xiamen International Container Terminal ("XICT"), Hairun Terminal, Xiamen Haicang International Container Terminal ("XHICT"), Songyu Terminal and Xinhaida Terminal, as well as the ITG Terminal, Shihushan Terminal, Haiyi Terminal, Haiyu Terminal, Hailong Terminal and Huajin Terminal located at Quanzhou port, which operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates a total of 33 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in the world. Shipping routes can reach domestic major ports, as well as major ports including Europe, the United States (the "US"), the Mediterranean, Australia, Southeast Asia and Japan. In addition, the Group has leased Haicang berth No. 8 and Songyu berths No. 4 to No. 6 in the Haicang port area of Xiamen port for operation and leased berths No. 6 to No. 8 in the Liuwudian southern port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of its business development.

Financial Highlights

	Year ended 31 December					
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Revenues	6,507,876	6,915,686	8,483,998	12,922,319	12,916,756	**13,933,106**
Gross profit	1,032,814	1,039,847	1,127,715	1,199,992	1,215,048	**1,256,921**
Operating profit	1,192,456	995,789	1,051,049	1,238,196	1,109,283	**1,124,478**
Profit before income tax expense	1,108,306	943,785	1,021,337	1,070,633	809,586	**900,918**
Profit for the year	866,015	738,753	804,916	819,595	554,390	**668,759**
Profit attributable to owners of the Company	521,046	319,495	319,342	411,157	244,750	**279,684**
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	19.11	11.72	11.71	15.08	8.98	**10.26**

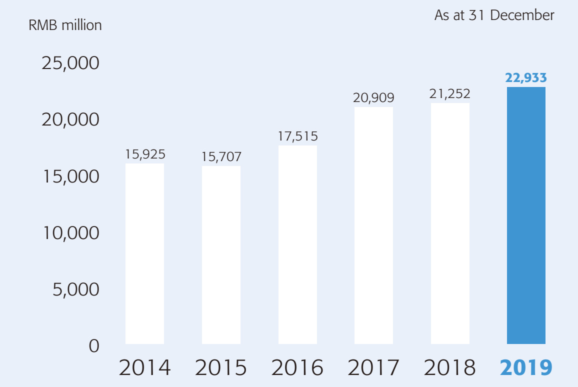




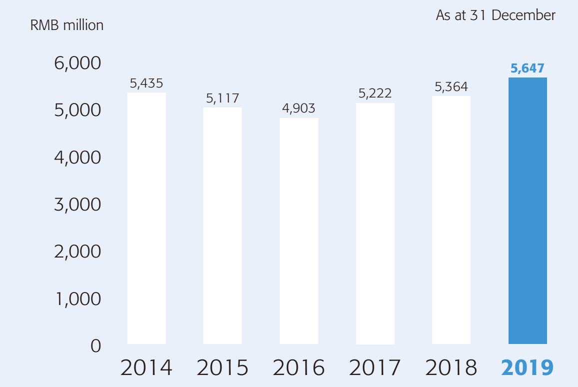
	Year ended 31 December					
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	15,924,575	15,707,285	17,514,627	20,908,724	21,252,256	**22,932,950**
Equity attributable to owners of the Company	5,434,600	5,116,580	4,902,861	5,222,195	5,364,012	**5,647,384**
Total liabilities	5,950,164	5,515,355	7,202,654	9,065,237	9,283,591	**10,558,824**
Cash and cash equivalents	750,654	861,733	1,140,956	671,348	681,633	**1,833,432**

	Year ended 31 December					
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Current ratio (times)	0.95	0.86	0.80	0.63	0.82	**0.95**
Gearing ratio (%)	(17.91)	(16.17)	(18.88)	(31.58)	(32.83)	**(30.98)**
Inventory turnover days	30	25	21	21	26	**33**
Accounts receivable turnover days	60	58	47	32	30	**27**

Total Asset



Equity attributable to owners of the Company



Chairman’s Statement

I hereby present the annual report of the Group for the year ended 31 December 2019 (the “Year”) to our Shareholders.

In 2019, continuous slowdown of global economy momentum and the growing intensive tension of trade and geopolitics all increased uncertainties among international cooperation. The Chinese government has timely introduced various policies and measures that were able to stimulate market vitality and optimize the business environment by insisting on promoting progress while maintaining stability, to effectively respond to trade friction and promote development of economy at high quality. However, the impact resulting from the complicated external environment on the economy and port industry of China still remained relatively severe. Facing such complicated market environment, the Group has focused on the establishment of international shipping center and the transformation and upgrade of ports, took comprehensive measures to deepen reform, improve management and accelerate innovation, by giving full capitalisation of the overall synergy effect from the advantage of the Group’s operating scale and its comprehensive port logistic services. The Group also reasonably optimized the allocation of resources, implemented hinterland strategies and took various measures simultaneously on the development of port business, to foster the stable development of the Group.

For the Year, the revenue of Xiamen Port was approximately RMB13,933,106,000, representing an increase of approximately 7.9% as compared with the previous year; the profit after tax was approximately RMB668,759,000, representing an increase of approximately 20.6% as compared with the previous year; and the profit attributable to owners of the Company was approximately RMB279,684,000, representing an increase of approximately 14.3% as compared with the previous year. Basic and diluted earnings per share attributable to owners of the Company were approximately RMB10.26 cents, representing an increase of approximately 14.3% as compared with the previous year.

The board (the “Board”) of directors (the “Directors”) of the Company recommended the payment of a final dividend of RMB2.5 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB68,155,000 (tax inclusive).

In 2019, the Group proactively responded to external uncertainties by leveraging its overall advantages on coordinating operations, promoting the development of principal port businesses with joining forces, carrying out port-and-shipping strategic cooperation, constantly implementing hinterland strategies and promoting the supply-side structural reform, thereby to build first class business environment at ports and ensure high quality development of port business.

- Operations are coordinated for the development of principal port businesses, which mainly included: (1) strengthening the headquarters marketing and overall marketing efforts, in which the Group implemented the policy of "One Enterprise with One Strategy and Accurate Support" (「一企一策，精準扶持」), carried out marketing to headquarters of well-known shipping companies, entered into strategic cooperation agreements to consolidate the strategic port-shipping cooperation, facilitated shipping companies cultivating key business as well as promoted the construction of Xiamen's "Regional Home Port" (「區域母港」); carried out the initiative of "Silk Road Shipping" (「絲路海運」) by building new channels of "Sea Silk Road" (「海絲」) and "Land Silk Road" (「陸絲」) to create an international trade comprehensive logistic services platform named "Silk Road Economic Belt" (「絲綢之路經濟帶」) and the "21st Century Maritime Silk Road" (「21世紀海上絲綢之路」) ("One Belt, One Road") with international influence; (2) expanding incremental businesses by carrying out targeted pricing strategy, which has effectively facilitated the convergence of goods from various sources and promoted the continuous growth of water-to-water transfer business (including international container transshipment business) and domestic trade container business; (3) laying out new shipping routes in Xiamen port to enhance the influence on the resource allocation of the global shipping routes by commencing 11 new foreign trade routes for the Year, representing a year-on-year increase of 11 ports of call.

- The layout was coordinated for the expansion of the port hinterlands, which mainly included: (1) Haiying Terminal (海盈碼頭) achieved a total container throughput of 282,000 Twenty-foot Equivalent Units ("TEUs") in 2019; the throughput of the foreign trade container business of the domestic feeder lines in Fuzhou and Xiamen realised significant improvement over the previous year, and the feeding function of feeder lines was emphasized; the water engineering section of Chaozhou feeder terminal had been completed and the acceptance check of housing construction and relevant systems had been completed and hence was qualified to be put into trial operation; Shishi City Huajin Terminal Storage and Transportation Co., Ltd. (石獅市華錦碼頭儲運有限公司) ("Huajin Terminal") strived to promote the construction of public barge routes, worked to develop the business of replacing bulk cargo with container shipments and forged a complete logistics chain for customers by leveraging its overall sales and marketing advantage to promote the development of Xiamen port; (2) coordinating and integrating the land-based ports. The operating rights of Sanming and Ji'an land-based ports were incorporated into China Ocean Shipping Agency Xiamen Co., Ltd. (中國廈門外輪代理有限公司) ("Ocean Shipping Agency"), which was entrusted to manage the equity interest of Sanming Port Development Co., Ltd. (三明港務發展有限公司) ("SPD") and Zhangzhou City Longchi Port Development Co., Ltd. (漳州市龍池港務發展有限公司) ("LPD"). Combined with the building of the network in the hinterland, we expanded the sea-rail combined transport to inland areas, thus injecting new driving forces into the development of Xiamen port; (3) expanding the coverage area of hinterland. Following the concept of "Changing the Direction of Flow from Land to Sea and from Bulk Shipments to Container Shipments", we provided full support for the business development of sea-rail combined transport and land-based ports; we also strengthened the construction of business networks in the hinterland. Ocean Shipping Agency has so far set up 18 networks in more than 10 cities inside or outside Fujian Province including Nanchang, and is preparing for the opening of office in Vietnam.

- The business environment was optimized by improving quality and efficiency, which mainly included: (1) enhancing the service capabilities of terminals. Xiamen International Container Terminals Ltd. (廈門國際貨櫃碼頭有限公司) ("XICT") has completed the upgrading and rebuilding of berths No. 1 to No. 3 in the Haicang port area; Xiamen Port Group Shihushan Terminal Company Limited (廈門港務集團石湖山碼頭有限公司) ("Shihushan Terminal Company") has completed the dredging work of berth No. 8 in the Haicang port area, capable of berthing a 50,000-tonne bulk carrier; Xiamen Port Haixiang Terminal Co., Ltd. (廈門港務海翔碼頭有限公司) ("Haixiang Terminal Company") newly added 4 gantry crane which were powered by electricity instead of fossil fuels; Xiamen Port Transportation Co., Ltd. (廈門港務運輸有限公司) ("XPT") procured and employed 14 diesel tractors and 5 full electric in-port tractors; the construction work of No. 4 and No. 5 flat warehouses of Xiamen Hailong Terminal Co., Ltd. (廈門海隆碼頭有限公司) ("Hailong Terminal Company") passed acceptance inspection ahead of schedule and went into production in December, which boosted the overall service capability; (2) achievements have been made in optimizing the business environment at ports. The Group cooperated with its subsidiaries to continue to optimize the business environment at ports, improve the competitiveness of ports in Xiamen in an accurate and efficient way. Our building of the port credit system and the level of the business environment are among the best in the country and ranked first in terms of the "Business Environment Assessment for China's Top 10 Shipping Container Ports" (中國十大海運集裝箱口岸營商環境評測); (3) based on customer needs, building service brands. Xiamen Container Terminal Group Co., Ltd. (廈門集裝箱碼頭集團有限公司) ("Xiamen Terminal Group" or "XCTG"), a subsidiary of the Group, conducted strategy of "Service Makes Port Stronger" (「服務強港」) by introducing "Ten Measures on Customer Services" (「十大服務舉措」) and signed the "Port-shipping Cooperation Strategic Agreement on the Improvement of Domestic Trade Service" (《內貿服務提升港航合作戰略協議》) with shipping companies. In 2019, the indicators, such as the direct berthing rates of vessels, the berthing and unberthing schedule punctuality of vessels and efficiency of trailers in retrieving and unloading of containers, etc., were steadily improved. The Ocean Shipping Agency continued to strengthen the management and control of the service quality and was honored by relevant shipping companies as the best agency for the year, the integrated service award, etc.

- The Group followed the national policies by leading in transformation and upgrades, which mainly included: (1) the thorough implementation of the state-owned enterprise reform known as "Double-hundred Action" (「雙百行動」). Under the theme focusing on "Five Breakthroughs and One Reinforcement" (「五突破一加強」) to advance reform, the Group promoted its development through reform by actively promoting the reform of the managerial assessment and incentive mechanism, selecting and employing professional managers, improving the corporate governance structure, constructing a financial sharing center, integrating logistics resources and bulk cargo terminal resources as well as carrying out the reform of mixed ownership and other works; (2) the active integration into the national initiative of "One Belt, One Road" by concentrating on the expansion of the international shipping routes, which led the shipping routes between Xiamen port and countries along the "One Belt, One Road" to reach 69 in 2019, representing an increase of 13 routes as compared to last year; (3) trial projects for incremental power distribution business were promoted. Xiamen Area of China (Fujian) Pilot Free Trade Zone Port Power Supply & Tech. Co., Ltd. (廈門自貿片區港務電力有限公司) ("Xiamen Port Power Supply & Tech."), a subsidiary of the Group, actively expanded electricity sales and its value-added business, making effective results in the construction of incremental electric distribution networks and green smart ports in the port area, which received a letter of special thanks from the Fujian Development and Reform Commission ("Fujian Development and Reform Commission"); (4) deeply excavating the innovative development of free trade format. Xiamen Port Logistics Co., Ltd. (廈門港務物流有限公司) ("Port Logistics"), a subsidiary of the Group, actively expanded the international transit container assembly business by making a breakthrough in the interaction among regulatory areas across international container transit site, export supervised warehouse and bonded area in terms of inventories in an innovative way; it also made innovation for the China-Europe regular railway business mode to effectively give full play to the demonstration and leading role of bonded logistics parks. During the period under review, the containers and the bulk/general cargo handling capacity of the Group in Xiamen were approximately 8.58 million TEUs and 25.380 million tonnes, respectively, among which, the container throughput accounted for 77.1% and 49.7% of the total throughput in Xiamen City and Fujian Province, respectively, making it possible for the continuous leadership of the Group in the port industry markets in both Xiamen City and Fujian Province.

While devoting efforts to the core businesses, the Group has also been continuously strengthening its corporate internal control system, regulating operation and management and enhancing risk prevention capabilities to promote the corporate development in a sustainable and stable way.

— During the Year, in accordance with personnel adjustments and corporate management needs, two new supervisors ("Supervisors") were elected and appointed by the Company to the Supervisory Committee to fill the vacancy as a result of the re-designation or retirement of two former Supervisors; strengthened the monitoring on substantial transactions and connected transactions, and made appropriate information disclosures on the issue of super short-term notes, the changes in Directors, Supervisors and senior management, etc.; reinforced investor relations, convening a total of 5 investor meetings in 2019 to efficiently uphold the market image of the Company.

— The Group continued to promote the construction of its internal control system. Firstly, the Group has perfected its internal control system and amended or newly formulated its management systems relating to connected transactions management, legal affairs, contracts, financial risks, fund raising, fund sharing, corporate annuity, and confidential work, etc. Secondly, the Group has strengthened its risk management by putting focus on the monitoring of market operations, debt investments and litigations on relevant risks, toughened the clearance of account receivable items and optimized the risk management system; expedited the asset disposals for inefficient or invalid investments or those with material changes in their operating conditions; excluded relevant companies with low efficiency. Thirdly, the Group has intensified its audit supervision and given full play of its auditing and monitoring functions by conducting the audit on the operations and management of Malun joint venture project of Haiying Terminal; conducting the audit on inventories and accounts receivable management of Xiamen Road and Bridge Building Materials Co., Ltd. (廈門市路橋建材有限公司) ("Road and Bridge Building Materials"), Xiamen Port Trading Co., Ltd. (廈門港務貿易有限公司) ("Xiamen Port Trading") and Haitian Branch of Xiamen Container Terminal Group Co., Ltd. (廈門集裝箱碼頭集團有限公司海天分公司) ("Haitian Terminal"), and economic responsibility audits on the responsible persons-in-charge of companies including Xiamen Haicang Xinhaida Container Terminal Co., Ltd. (廈門海滄新海達集裝箱碼頭有限公司) ("Xinhaida Terminal").

In addition, the Group has actively improved its level of capital operation and promoted refined management. Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司) ("Xiamen Port Development" or "XPD"), a subsidiary of the Group, completed its first refinancing project since its listing. The Company subscribed for approximately 94.19 million shares in Xiamen Port Development at a price of RMB6.37 per share for a total consideration of approximately RMB600 million, pursuant to which the Company's shareholding in Xiamen Port Development increased from 55.13% to 61.89%. The capital injected by the Company would be used to improve Xiamen Port Development's debt structure and replenish working capital, thus optimizing its capital structure and enhancing its profitability. Capitalizing on the platform advantage and the sharing functions of the capital management centre, the Group has issued six tranches of super short-term financing bonds during the Year, and raised RMB2.5 billion. By coordinating the use of funds, strengthening its internal financing intermediation and extending domestic and overseas financing channels through the platform, the Group has improved the corporate debt structure of the listed group and enhanced its capital utilization efficiency; the Group flexibly took advantage of the financial and tax policies to increase income and reduce expenses, and the relevant subsidiaries under the Group have benefited from various preferential governmental policies such as the exemption of corporate income tax for technology-advanced service enterprise, "three-year exemption and three-year half reduction" (「三免三減半」) corporate income tax policy, and the exemption of value-added tax and land use tax for the provision of cross-border services; the Group stringently controlled costs and expenses and focused on controlling various controllable costs and expenses.

During the Year, the Group has also proactively advanced the construction of green and smart ports, and deepened the integrated development and construction of ports, industries and cities. Firstly, new achievements have been made in the construction of smart ports. The Port Smart Logistics Platform Demonstration Project of Xiamen International Shipping Center (廈門國際航運中心港口智慧物流平台示範工程) has been completed and passed acceptance check, and launched a system which integrating shipping and distribution platform, multimodal transport service platform, and Taiwan-based maritime express service platform. The intelligent loading and unloading platform for container ships in Haitian terminal was launched for trial operation, and the transformation of remote control of several shore bridges of Haitian Terminal (海天碼頭), Hairun Terminal (海潤碼頭) and Xinhaida Terminal (新海達碼頭) was completed and has been operated normally. Secondly, solid progress was made in the construction of green environmental protection. The Group has achieved a number of breakthroughs to varying degrees in technical transformation projects for energy conservation, including "Use of On-shore Power Supply for Vessels", "Use of Electricity Instead of Fossil Fuels", "LED Lighting" and "Solar Energy Application", demonstrating remarkable achievements in energy saving and consumption reduction with energy savings equivalent to 908.6 tonnes of standard coal for the Year, while the ratio of clean energy against total energy consumption was approximately 41%; the Group has also fulfilled its corporate social responsibility and made contributions to the ecological civilization of the ports and "Civilized City" for Xiamen by strengthening environmental protection, improving the construction of the environmental management system, proactively launching sewage treatment, dust prevention and control projects, as well as garbage classification works.

In 2020, it is expected that the environment for global economic and trade policies will remain highly uncertain. Affected by factors such as trade barriers and uncertainties of trade and geopolitical, the global economic and trade landscape will continue to be in an adjustment situation. The outbreak and spread of Coronavirus Disease 2019 (the "COVID-19 Outbreak") in the world in early 2020 further increased the uncertainty of global economic development. From the perspective of China, the economy of China will be generally smooth with increasing downward pressure. While actively taking decisive measures to prevent and control the COVID-19 Outbreak and striving to overcome the temporary difficulties caused by the COVID-19 Outbreak, the Chinese government sticks to the policy of "Seek Improvement in Stability" and the concept of new development, and continues to deepen supply-side structural reform. At the same time, the government will implement a proactive fiscal policy and a prudent monetary policy to improve the competitiveness of the overall economy through innovation-driven reform and opening-up. It is estimated that China's national economic growth rate in 2020 will still remain within a reasonable range. On the other hand, the on-going impact of shipping company alliances, mega-vessels and the resulting adjustment of shipping routes will continue to pose challenges to the business development of our terminals. Thus, the economic growth of the Group will face many challenges together with the existence of opportunities in 2020.

Chairman's Statement

Looking forward to the year 2020, the Group will continue to adhere to the objective of sustainable development of the enterprise and maximizing the interests of the Shareholders as a whole, closely focusing on port production and the development of integrated logistics services, which is our principal business, actively taking countermeasures to overcome the periodic adverse impact of the COVID-19 Outbreak, implementing "Double Hundred Actions", the policy of reformation of state-owned enterprises, and actively promoting various operation and management functions. On one hand, the Group will adhere to the overall fundamental of steady progress, strengthen capacities of overall marketing and headquarters marketing, and focus on expanding its incremental business. Meanwhile, the Group will carry out the strategy of port hinterland and implement supply-side structural reforms. By actively optimizing the environment of port business, the Group will forge high quality service based on the demand, so as to consolidate the good brand image of the Group in the port industry and facilitate the high-quality development of the Group. On the other hand, the Group will strictly comply with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), enhance corporate governance and strengthen information disclosure and investor relations. At the same time, the Group will focus on refined management, improve the level of internal control and risk management, promote development of transformation and innovation for the enterprise, and constantly improve the operational efficiency and operation effectiveness of the Group, so as to bring steady returns to the Shareholders of the Group. In addition, the Group will actively fulfill its social responsibilities, coordinate the promotion of environmental, social and corporate governance, and follow the path of port development, resource utilization and environmental protection in a harmonious, coordinated and sustainable manner.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the Shareholders, investors and business partners for their unfailing trust and support to the Group. At the same time, I would also like to give my heartfelt thanks to all our staff for their tireless efforts and positive contributions over the past year. I firmly believe that, by the joint efforts of all our staff and the support of all Shareholders, the Group will definitely continue to develop steadily and create greater wealth for the Shareholders.

CAI Liqun
Chairman

Xiamen, the PRC
27 March 2020

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's Foreign Trade and Port Container Business

In 2019, the growth rate of the world economy and trade slowed down significantly, mainly due to the uncertainties in the trade policies, geopolitical tensions and strains in major emerging market economies continued to weigh on global economic activities and insufficient global aggregate demand severely inhibited the growth of the world economy. The Chinese government adhered to the principles of seeking progress while maintaining stability, adhered to the main line of the supply-side structural reform, strengthened counter-cyclical adjustments in macro policies, and continued to maintain medium or rapid economic growth. With the apparent rise in risks and challenges at home and abroad, China's foreign trade imports and exports have achieved a steady increase in volume and a steady improvement in quality throughout the year. According to the PRC National Bureau of Statistics, China's gross national product ("GNP") in 2019 was approximately RMB99.0865 trillion, representing an increase of approximately 6.1% over the year of 2018 (same as below); China's total import and export of goods amounted to approximately RMB31.5505 trillion, representing an increase of approximately 3.4% over the previous year. Among which, the export of goods increased by approximately 5.0% to approximately RMB17.2342 trillion and the import of goods increased by approximately 1.6% to approximately RMB14.3162 trillion for the full year. After offsetting import against export, foreign trade surplus amounted to approximately RMB2.9180 trillion. For the port operation business, China's port cargo throughput was approximately 14.00 billion tonnes in 2019, representing a year-on-year increase of approximately 5.7%, while the port container throughput was approximately 261.07 million TEUs, representing a year-on-year growth of approximately 4.4%.

Foreign Trade in Fujian and Ports in Xiamen

In 2019, Fujian Province actively responded to economic and trade frictions and accelerated the implementation of policies and measures to stabilize and promote foreign economic and trade development. Its economy continued to operate within a reasonable range, keeping its overall stable and progressive development trend. Its main economic indicators increased at a high rate in terms of China's overall level, and the scale of foreign trade imports ranked seventh in the country. According to the Fujian Provincial Government, the gross domestic product ("GDP") of Fujian Province in 2019 was approximately RMB4.2395 trillion (the audited GDP of Fujian Province in 2018 was RMB3.86878 trillion), representing a year-on-year growth of approximately 7.6%. The total export and import amount of foreign trade was approximately RMB1.3307 trillion, representing a year-on-year increase of approximately 7.8%, among which, the export of goods for the whole province was approximately RMB827.8 billion, representing a

year-on-year increase of approximately 8.7%, while the import of goods was approximately RMB502.9 billion, representing a year-on-year increase of approximately 6.3%. The port cargo throughput amounted to approximately 595 million tonnes, representing a year-on-year increase of approximately 6.6%, and the container throughput was approximately 17.26 million TEUs, representing a year-on-year increase of approximately 4.8%.

In 2019, Xiamen expanded economic and trade cooperation, actively deepened the China (Fujian) Pilot Free Trade Zone and other reform pilots, actively expanded the "Silk Road for Shipping" route and strengthened its collaboration with ports along the "One Belt, One Road" to accelerate the promotion of the construction of Xiamen port-type national logistics hub city, whose business environment ranked first in the assessment for nation's top ten shipping container ports. In 2019, the total import and export of foreign trade in Xiamen City was approximately RMB641.29 billion, representing a year-on-year increase of approximately 6.9%, of which the export of goods was approximately RMB352.87 billion and the import of goods was approximately RMB288.42 billion, representing a year-on-year increase of 5.7% and 8.3%, respectively. The total container throughput of Xiamen port was approximately 11.122 million TEUs, representing an increase of 3.9% over 2018, its container throughput continuously ranked seventh among the ports in Mainland China and fourteenth among container ports in the world, accounting for approximately 64.4% of the total container throughput in Fujian Province.

BUSINESS REVIEW

During the Year, the Group was principally engaged in port terminal businesses at relevant terminals in the Dongdu port area and Haicang port area of Xiamen, Qingzhou operating area of Fuzhou, and Quanzhou port, including container port operations, bulk/general cargo port operations and comprehensive port logistic services. In addition, the Group was also engaged in the manufacturing, processing and sales of building materials, as well as in merchandise trading business (e.g. steel and chemical raw materials).

Business Scale

During the Year, the Group owned and operated a total of 33 berths designated for containers and bulk/general cargoes in both international and domestic trade, with a water depth of wharf apron ranging from 9.9 metres to 17.5 metres for accommodating container vessels up to 200,000 tonnage. The Group has also reserved sizeable space for storage facilities (depots/warehouses) and relevant auxiliary facilities both within and outside the terminal areas.

The Group operated the container loading and unloading business mainly at the following six terminals, namely (1) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 16); and (2) Songyu Terminal (Songyu berths No. 1 to No. 3), XHICT (Haicang berth No. 1) and XICT (Haicang berths No. 2 to No. 3, Haicang berths No. 1 to No. 3 were under unified operation), as well as Hairun Terminal (Haicang berths No. 4, No. 5 and No. 6) and Xinhaida Terminal (Haicang berths No. 18 and No. 19) in Haicang port area.

In addition, the Group also operated ITG Terminal (Dongdu berths No. 20 and No. 21), Haiyi Terminal (Dongdu berth No. 18) and Shihushan Terminal (Dongdu berth No. 19) in Dongdu port area, Haiyu Terminal (Haicang berth No. 7) and Hailong Terminal (Haicang berths No. 20 and No. 21) in Haicang port area, as well as Huajin Terminal (berths No. 1 to No. 3 of Huajin Terminal) in Quanzhou port for bulk/general cargo loading and unloading operations of international and domestic trade.

Apart from the aforesaid 33 berths owned by the Group, during the Year, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司), Songyu berths No. 4 to No. 6 (Haitong Terminal) from Xiamen Port Haitong Terminal Co., Ltd. (廈門港務海通碼頭有限公司) ("Haitong Terminal Company") and berths No. 6 to No. 8 in the south port area of Liuwudian of Xiamen (Haixiang Terminal) from Haixiang Terminal Company. In addition, the Group has also leased and operated berth No. 8 in Qingzhou operating area of Fuzhou (Fuzhou Zhongying Terminal) from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) ("Zhongying Gangwu") for operation of the container and general cargo loading and unloading business and the port-related comprehensive logistic business since 20 November 2012.

Container Port Business

During the Year, the Group achieved a container throughput of 9,257,571 TEUs. Details of the container throughput handled by each terminal are as follows:

	Container throughput		
	2019 (TEUs)	2018 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group[#]	**4,953,139**	4,666,360	6.15%
XICT and XHICT[*]	**1,000,092**	982,641	1.78%
Songyu Terminal[⊕]	**1,130,864**	1,175,936	(3.83%)
Xinhaida Terminal[⊕]	**1,492,176**	1,380,453	8.09%
Total throughput in Xiamen	**8,576,271**	8,205,390	4.52%
Fuzhou Zhongying Terminal[△]	**282,231**	264,419	6.74%
Quanzhou Huajin Terminal[☆]	**399,069**	322,128	23.89%
Total throughput	**9,257,571**	8,791,937	5.30%

Since 1 January 2016, Xiamen Terminal Group and its wholly-owned subsidiary Xiamen Hairun Container Terminals Co., Ltd. ("Hairun Terminal Company") have successively leased and operated Haitong Terminals (Songyu berths No. 4 to No. 6) from Haitong Terminal Company, a wholly-owned subsidiary of Xiamen Port Holding, due to their business development needs. Since January 2017, Xiamen Terminal Group has leased the relevant berths in Haixiang Terminal for the operation of container business. Therefore, for the purpose of the operating information set out in this chart, the related operating figures of Haitian Terminal and Hairun Terminal included the figures relating to the container business of Dongdu berths No. 5 to No. 16, Haitong Terminal, berths No. 4, No. 5 and No. 6 in the Haicang port area of Xiamen port and the relevant berths in Haixiang Terminal.

* XICT and Xiamen Haicang International Container Terminals Ltd. ("XHICT") are joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation of XICT and XHICT, the relevant operating information of XICT also incorporated the figures of XHICT, both were consolidated in the calculation and were fully incorporated into the port business. The Company has adopted "HKFRS 11 — Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures with its interest accounted for under the equity method. Pursuant to the relevant agreed arrangement entered into on 28 November 2016, XHICT has become a subsidiary of the Group accordingly. Pursuant to the relevant agreed arrangement entered into on 15 May 2017, XICT has become a subsidiary of the Group accordingly.

⊕ Songyu Terminal and Xinhaida Terminal are terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, and the related operating figures of the two terminals were fully included in the port business.

△ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for the operation of container and general cargo loading and unloading business as well as port-related comprehensive logistic business.

☆ Quanzhou Huajin Terminal was consolidated into the Group at the end of October 2017, which was a terminal directly or indirectly controlled by the Group and Xiamen Port Development.

In 2019, the container port business of the Group increased by approximately 5.3% over the previous year, among which the container port business in Xiamen increased by approximately 4.5% over the previous year, mainly because (1) the global shipping routes layout was further promoted, the container transfer business was expanded, and the water to water transfer business has completed a total throughput of approximately 3.227 million TEUs, representing an increase of approximately 8.2% over the previous year, among which the international container transfer business completed approximately 608,000 TEUs, representing an increase of approximately 40.0% over the previous year. (2) the major customers plan was implemented in-depth, the domestic North-South line hub transit business was expanded, and the domestic trade container business has completed a total throughput of approximately 3.09 million TEUs, representing an increase of approximately 5.8% over the previous year. Fuzhou Zhongying Terminal actively developed the container domestic feeder line business between Xiamen and Fuzhou, introduced new customers and established new domestic feeder lines such as in Guangzhou and Shandong, with its throughput increasing by approximately 6.7% over the previous year. Benefiting from the development of the public barge route business and the business of replacing bulk cargo with container shipments, the container throughput of Quanzhou Huajin Terminal increased significantly by approximately 23.9% over the previous year.

Bulk/General Cargo Port Business

In 2019, the total annual bulk/general cargo throughput achieved by the Group was 27,240,998 tonnes, details of which are as follows:

	Bulk/general cargo throughput		
	2019 (Tonnes)	2018 (Tonnes)	Increase/ (Decrease)
Hailong Terminal, ITG Terminal and Songyu Terminal#	**6,535,983**	6,164,334	6.03%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal☆	**18,840,252**	18,821,968	0.10%
Total throughput in Xiamen	**25,376,235**	24,986,302	1.56%
Fuzhou Zhongying Terminal△	**30,096**	58,704	(48.73%)
Quanzhou Huajin Terminal*	**1,834,667**	2,078,034	(11.71%)
Total throughput	**27,240,998**	27,123,040	0.43%

ITG Terminal, which has been leased by Xiamen Port Development and Hailong Terminal Company successively and respectively since April 2014 for the operation of bulk/general cargo business. In addition, Xiamen Port Development and Hailong Terminal Company have leased parts of berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port from November 2009 to March 2018 successively and respectively, and leased the relevant assets of XICT since 1 July 2015 successively and respectively for the operation of the bulk/general cargo business; Hailong Terminal Company has leased the relevant berths of Haixiang Terminal for the operation of bulk/general cargo business since January 2017; the general cargo business of Songyu Terminal has been taken over by Hailong Terminal Company since November 2017, its relevant operating figures were 100% incorporated in the port business. Therefore, for the purpose of the operating information set out in this chart, the related operating figures for the bulk/general cargo businesses of Hailong Terminal, ITG Terminal and Songyu Terminal included those of berths of Hailong Terminal, ITG Terminal, Songyu Terminal, XICT Terminal and Haixiang Terminal, as well as the related figures of Mingda Terminal for the first three months of 2018.

☆ Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016, Shihushan Terminal has leased Mingda Terminal since April 2018. Therefore, for the purpose of the operating information set out in this chart, the related operating figures of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal included the related figures of the three terminals and the related figures of Mingda Terminal from April 2018.

Δ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operation of its container and general cargo loading and unloading businesses and its port-related comprehensive logistic business.

* Quanzhou Huajin Terminal was consolidated into the Group at the end of October 2017, which was a terminal directly or indirectly controlled by the Group and Xiamen Port Development.

During the Year, the bulk/general cargo port business of the Group slightly increased by approximately 0.4% as compared to the previous year, while the bulk/general cargo port business of Xiamen region recorded an increase of 1.6% as compared to the previous year, primarily due to (1) Shihushan Terminal, Haiyi Terminal and Haiyu Terminal actively sought foreign trade coal off-site declaration quotas and successfully expanded new customers, which led to an increase of 6.9% for the coal business over the previous year; (2) the overall business of Hailong Terminal and other terminals for general cargo increased by 6.0% over the previous year due to the factors including, among others, the opening for operation of ports at Haixiang Terminal in March 2019 and the growth of foreign trade grain and barite business at Hailong Terminal. The throughput of general cargo business of Fuzhou Zhongying Terminal declined by approximately 28.7 thousand tonnes over the previous year, mainly because it was difficult for some general cargo ships to obtain timely operation window guarantee caused by the impact of the growth of berthing voyages of container ships on some general cargo ships. The bulk cargo throughput of Huajin Terminal decreased by 11.7% over the previous year, mainly due to the impact of environmental protection policies and others on the development of its businesses such as coal, powder, etc..

With regard to the above conditions, the Group has taken proactive measures to promote the continuous growth of the Group's overall bulk/general cargo business. On one hand, the newly-built warehouse facilities of Hailong Terminal was fully utilised to actively expand the businesses of the main traditional cargo resources such as grain; on the other hand, the advantage of the opening of Haixiang Terminal ports was fully grasped to actively expand the businesses of high-quality cargo resources such as stone; meanwhile, communication with relevant customers was further strengthened, internal production organizations was actively and reasonably coordinated and production efficiency of terminals was improved to strive to meet the needs of port businesses development.

Comprehensive Port Logistic Services

During the Year, the Group continued to implement its overall marketing strategy, gave full play to the advantages of the overall supply chain of the port business, actively developed shipping agency, tallying, tugboat-assisted berthing and unberthing, and port-related logistic services, and promoted the interactive development between comprehensive port logistic services and terminal loading and unloading business. During the year under review, the tugboat-assisted berthing and unberthing business of the Group has steadily increased; the market layout outside Xiamen port has achieved preliminary results and the revenue from business outside Xiamen port has increased to represent one-third of the overall operating revenue; the intelligent tallying system for tallying business continued to be optimized and upgraded, the new one-stop service tally operation mode of shipside, storage yard and gate has been continuously expanded, and service level has been steadily improved. On the other hand, although the shipping agency business of the Group continued to maintain an advantageous position in the container and bulk cargo shipping agency market, its businesses development was affected by factors such as the intensification of the merger and acquisition process of major container liner companies and the tendency of ship-owners to self-ship and self-agency; port-related logistic services have actively promoted the innovation and upgrading of service of less than container load, warehousing, and bonded businesses, etc., with major business volumes increasing.

Merchandise Trading Business

The Group strictly and thoroughly implemented the operation philosophy of port and trade integration so as to actively promote the mutual development of port and trade businesses. In 2019, leveraging the advantage of the port business platform, the Group focused on the development of portside supply chain core businesses, such as coal, steel, chemical raw materials, agricultural products, silicon metal, wood pulp, etc., which contributed to the business growth of the port throughput of the Group, increasing the operating income and the economic benefits of the Group. Meanwhile, the Group actively strengthened the risks management and control of trade business, enhanced the construction of the internal control system for trade business, and strived to promote the steady operation of enterprises.

FINANCIAL REVIEW

Revenue

Revenues of the Group increased by approximately 7.9% from approximately RMB12,916,756,000 for the year ended 31 December 2018 to approximately RMB13,933,106,000 for the year ended 31 December 2019. The increase was mainly due to the increase in revenue from the Group's merchandise trading business.

Revenue by business sector

Business	For the year ended 31 December		
	2019 (RMB'000)	2018 (RMB'000)	Increase
Container loading and unloading and storage business	**2,039,380**	2,027,462	0.6%
Bulk/general cargo loading and unloading business	**788,130**	699,639	12.6%
Comprehensive port logistic services	**876,271**	802,199	9.2%
Manufacturing and selling of building materials	**457,651**	383,786	19.2%
Merchandise trading business	**9,771,674**	9,003,670	8.5%
Total	**13,933,106**	12,916,756	7.9%

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2019 compared with 2018 are as follows:

1. The container throughput of the Group increased this year, which was mainly due to Xinhaida Terminal's increased domestic trade container throughput as a result from client's new launch of shipping routes, leading to the increase in the revenue of the container loading and unloading and storage business;

2. The revenue of the Group's bulk/general cargo loading and unloading business this year increased by 12.6% as compared to the year ended 31 December 2018, which was mainly due to the increase of business volume of coal loading and unloading of Shihushan Terminal Company and Hailong Terminal Company's Haixiang Terminal commencing operating activities in March 2019;

3. The revenue of the Group's comprehensive port logistic services this year increased by 9.2% as compared to the year ended 31 December 2018, which was mainly due to the significant increase

in the business volume of Xiamen Port Shipping Co., Ltd. (廈門港務船務有限公司) ("Xiamen Port Shipping") and the newly developed business of waste paper inspection business of Xiamen Port Haicang Container Inspection Service Co., Ltd. (廈門港海滄集裝箱查驗服務有限公司);

4. The revenue of the Group's manufacturing and selling of building materials this year increased by 19.2% as compared to the year ended 31 December 2018, which was mainly due to further market expansion in Quanzhou, which resulted in the increase in the sales volume, as well as the increase in sales price of building materials in Xiamen market; and

5. The revenue of the Group's merchandise trading business this year increased by 8.5% as compared to the year ended 31 December 2018, which was mainly due to the significant increase in the business volume of wood pulp and rubber.

Cost of sales

Cost of sales increased by approximately 8.3% from approximately RMB11,701,708,000 for the year ended 31 December 2018 to approximately RMB12,676,185,000 for the year ended 31 December 2019. The increase was primarily due to the increase in the cost of merchandise trading.

– Cost of merchandise trading and cost of inventories consumed increased by approximately 9.1% from approximately RMB9,462,170,000 for the year ended 31 December 2018 to approximately RMB10,324,752,000 for the year ended 31 December 2019. The increase was mainly due to the significant increase in the business volume of wood pulp and rubber.

– Employee benefit expenses increased by approximately 4.7% from approximately RMB860,431,000 for the year ended 31 December 2018 to approximately RMB900,712,000 for the year ended 31 December 2019. The increase was mainly resulted from normal salary increases.

Gross profit

Mainly due to the increase in revenue of bulk/general cargo loading and unloading business, the Group's gross profit increased by approximately 3.5% from approximately RMB1,215,048,000 for the year ended 31 December 2018 to approximately RMB1,256,921,000 for the year ended 31 December 2019. Gross profit margin of the Group decreased from approximately 9.4% for the year ended 31 December 2018 to approximately 9.0% for the year ended 31 December 2019. The decrease in gross profit margin was mainly due to the increase in revenues of the Group's merchandise trading business which has a lower gross profit rate.

Other losses

The Group's other losses decreased by 28.9%, from approximately RMB5,834,000 in loss for the year ended 31 December 2018 to approximately RMB4,147,000 in loss for the year ended 31 December 2019.

Operating expenses

The Group's operating expenses increased by 5.0%, from approximately RMB426,157,000 for the year ended 31 December 2018 to approximately RMB447,276,000 for the year ended 31 December 2019. The increase was primarily due to more costs incurred to cope with the revenue growth in merchandise trading business this year, along with other increases in operating expenses.

Operating profit

The Group's operating profit increased by approximately 1.4% from approximately RMB1,109,283,000 for the year ended 31 December 2018 to approximately RMB1,124,478,000 for the year ended 31 December 2019. The Group's operating profit margin decreased from approximately 8.6% for the year ended 31 December 2018 to approximately 8.1% for the year ended 31 December 2019, which was mainly due to the Company's investment income decline resulted from the redemption of the majority of matured wealth management products in the first half of 2019.

Income tax expense

The Group's income tax expense decreased by approximately 9.0% from approximately RMB255,196,000 for the year ended 31 December 2018 to approximately RMB232,159,000 for the year ended 31 December 2019. The decrease was mainly due to Xiamen Terminal Group was qualified as an technology-advanced service enterprise which received tax exemption benefits in 2019. The Group's applicable corporate income tax rate (except for Trend Wood Investments Limited (紀成投資有限公司) ("Trend Wood"), Xiamen Terminal Group, Xiamen Songyu Container Terminal Co., Ltd (廈門嵩嶼集裝箱碼頭有限公司) ("Songyu Terminal"), XICT, Xiamen Ocean Shipping Agency Hong Kong Limited (廈門外輪代理 (香港) 有限公司) ("Hong Kong Ocean Shipping Agency"), Xiamen Port Haiyu Terminal Co., Ltd (廈門港務海宇碼頭有限公司) ("Haiyu Terminal") and Xiamen Port Haiheng (Hong Kong) Limited (廈門港務海衡 (香港) 有限公司) ("Haiheng Hong Kong")) was 25%, same as that of last year.

Profit for the Year

The Group's profit for the Year increased by approximately 20.6% from approximately RMB554,390,000 for the year ended 31 December 2018 to approximately RMB668,759,000 for the year ended 31 December 2019. The Group's profit margin was approximately 4.3% for the year ended 31 December 2018 and approximately 4.8% for the year ended 31 December 2019. The increase in profit margin for the Year was mainly due to the tax reduction benefits mentioned above and decrease in financial expenses for the Year.

Total comprehensive income for the Year

Total comprehensive income for the Year increased by approximately 22.4% from approximately RMB548,817,000 for the year ended 31 December 2018 to approximately RMB671,980,000 for the year ended 31 December 2019. The increase was mainly due to the tax reduction benefits mentioned above and decrease in financial expenses for the Year.

Total comprehensive income for the Year attributable to non-controlling interests

Total comprehensive income for the Year attributable to non-controlling interests increased by approximately 25.7% from approximately RMB309,640,000 for the year ended 31 December 2018 to approximately RMB389,075,000 for the year ended 31 December 2019. The increase was mainly due to the tax reduction benefits mentioned above and decrease in financial expenses for the Year.

Total comprehensive income for the Year attributable to owners of the Company

Total comprehensive income for the Year attributable to owners of the Company increased by approximately 18.3% from approximately RMB239,177,000 for the year ended 31 December 2018 to approximately RMB282,905,000 for the year ended 31 December 2019. The increase was mainly due to the tax reduction benefits mentioned above and decrease in financial expenses for the Year.

Accounts receivable

The Group's net accounts receivable increased from approximately RMB1,007,840,000 as at 31 December 2018 to approximately RMB1,087,034,000 as at 31 December 2019. The increase was due to normal operation fluctuation.

As at 31 December 2019, the Group's gross accounts receivable were approximately RMB1,173,837,000, of which approximately RMB701,241,000 accounts receivable were aged within six months, accounting for approximately 59.7% of the total accounts receivable, approximately RMB360,617,000 were aged between six months to one year, approximately RMB20,118,000 were aged between one year to two years, approximately RMB1,851,000 were aged between two years to three years and approximately RMB90,010,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable increased by approximately 26.8% from approximately RMB996,977,000 as at 31 December 2018 to approximately RMB1,264,205,000 as at 31 December 2019. This was primarily due to the increase in the accounts and notes payable of the merchandise trading business at the end of this year.

As at 31 December 2019, the Group's accounts and notes payable within one year were approximately RMB1,158,436,000, accounting for approximately 91.6% and due over one year were approximately RMB105,769,000, accounting for approximately 8.4%.

Borrowings

The Group's borrowings increased from approximately RMB6,530,259,000 as at 31 December 2018 to approximately RMB7,438,334,000 as at 31 December 2019, the increase was primarily due to several long-term borrowings newly made and the issuance of super short-term notes of RMB1,300,000,000 in aggregate in 2019.

As at 31 December 2019, borrowings due within one year were approximately RMB4,082,174,000, due within one to two years were approximately RMB2,355,220,000, due within two to five years were approximately RMB515,628,000 and due over five years were approximately RMB485,312,000.

As at 31 December 2019, the Group's total bank borrowings guaranteed were approximately RMB456,031,000, where a bank borrowing of RMB20,406,000 was guaranteed by China Construction Bank, a bank borrowing of RMB435,625,000 was guaranteed by non-controlling shareholders of subsidiaries. The Group's total secured bank borrowings were approximately RMB105,709,000, where a bank borrowing of RMB58,709,000 was secured by land use rights and a bank borrowing of RMB47,000,000 was secured by sea use rights.

Cash flows and working capital

The Group's working capital was primarily derived from cash generated from its operations.

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for the years ended 31 December 2018 and 2019 respectively:

	2019 RMB'000	2018 RMB'000
Net cash generated from operating activities	1,352,752	909,520
Net cash used in investing activities	(779,459)	(802,934)
Net cash generated from/(used in) financing activities	627,061	(97,742)
Net increase in cash and cash equivalents	1,200,354	8,844
Cash and cash equivalents at beginning of year	681,633	671,348
Exchange gains on cash and cash equivalents	1,445	1,441
Cash and cash equivalents at end of year	1,883,432	681,633

The Group's cash and cash equivalents are denominated in RMB.

Operating activities

The Group's net cash generated from operating activities increased by approximately 48.7% from approximately RMB909,520,000 for the year ended 31 December 2018 to approximately RMB1,352,752,000 for the year ended 31 December 2019. The main reasons for the increase in net cash of operating activities include the increase in net cash generated from operations of approximately RMB431,811,000, the increase in income tax expense paid of approximately RMB23,032,000 and the decrease in interest paid of approximately RMB34,453,000 in 2019.

Investing activities

The Group's net cash used in investing activities decreased from outflow of approximately RMB802,934,000 for the year ended 31 December 2018 to outflow of approximately RMB779,459,000 for the year ended 31 December 2019. The cash outflow in investment activities in 2019 was mainly due to purchase of property, plant and equipment, intangible assets and land use right. The main reasons for the decrease in net cash used in investing activities include the change of net cash generated from wealth management

products in 2019 from net outflow of approximately RMB205,461,000 last year to net inflow of approximately RMB542,256,000, and the increase in net cash invested in term deposits which resulted in the increase of approximately RMB638,187,000 in net cash outflow for such deposits.

Financing activities

The Group's net cash used in financing activities changed from outflow of approximately RMB97,742,000 for the year ended 31 December 2018 to inflow of approximately RMB627,061,000 for the year ended 31 December 2019. The change to net cash inflow generated from financing activities in 2019 was primarily due to the amounts of borrowings exceeding the amounts of repayment of loans, which led to an increase of approximately RMB646,092,000 in net cash inflow.

Capital expenditures

The Group's capital expenditures for the year ended 31 December 2018 and for the year ended 31 December 2019 primarily included expenditures on port terminal infrastructure and purchase of equipment, machineries. The following table sets out the Group's capital expenditures in 2018 and 2019:

	2019 **RMB'000**	2018 RMB'000
Total capital expenditures for the year	**773,054**	701,791

Capital expenditure commitments

As at 31 December 2019, the Group's capital expenditure commitments were approximately RMB627,019,000 mainly consisting of expenditure on constructing and improvement in port and storage infrastructure, acquisition of new loading machineries, other machineries and building renovation.

Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB and US dollars. To the extent that RMB appreciates (or depreciates) against US dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. On the other hand, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Group believes that the depreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2019.

The Group has not adopted any means to hedge its foreign currency exposure. Nevertheless, the foreign currency exposure is closely monitored by the Board, who would consider hedging any significant foreign currency exposure should the need arise.

Net debt to equity ratio

The Group's net gearing is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt, which has changed from approximately 32.8% as at 31 December 2018 to approximately 31.0% as at 31 December 2019.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2019, the Group had a total of 7,369 employees, representing a decrease of 82 employees as compared to 31 December 2018. The decrease was mainly due to optimization and integration of human resources and natural retirement of certain employees in the relevant enterprises of the Group. During the Year, the total staff costs accounted for approximately 8.2% of the revenue of the Group. The remuneration of the Group's employees include basic salary, other allowances and performance-based bonus, which were determined according to job nature, individual performance, qualification and experience as well as the prevailing practice of the industry. Employees may be offered bonus or awards according to the Group's annual operating performance and the assessment results of their performance. The payment of rewards is an impetus to motivate employees. The Group's remuneration policy is reviewed on a regular basis.

ESTABLISHMENT OF NEW COMPANIES

On 25 March 2019, Hainan Xiagang Tugboat Co., Ltd. (海南廈港拖輪有限公司) ("Hainan Xiagang"), a subsidiary of the Company, and SDIC Yangpu Port Co., Ltd. (國投洋浦港有限公 司) ("SDIC Yangpu Port") jointly contributed capital to establish SDIC Xiagang Hainan Tugboat Co., Ltd. (國投廈港海南拖輪有限公司) ("SDIC Xiagang") in Yangpu Economic Development Zone of Hainan Province in the PRC, which is principally engaged in the operation of port tugboat, vessels in-harbour services, and other related businesses. The registered capital of SDIC Xiagang is RMB83,000,000, which is held as to 51% by SDIC Yangpu Port and 49% by Hainan Xiagang. The relevant industrial and commercial registration procedures have been completed.

On 27 June 2019, Xiamen Port Shipping, a subsidiary of the Company, established Quanzhou Xiagang Tugboat Co., Ltd. (泉州廈港拖輪有限公司) ("Quanzhou Xiagang"), as a wholly-owned subsidiary in Quanzhou City, Fujian Province, the PRC, which is principally engaged in the relevant businesses of port tugboat, lightering services and other related businesses. The registered capital of Quanzhou Xiagang is RMB20,000,000. The relevant industrial and commercial registration procedures have been completed.

On 9 August 2019, Shanghai Haiheng Industrial Co., Ltd. (上海海衡實業有限公司) ("Shanghai Haiheng"), a subsidiary of the Company, established Shanghai Haiheng Hongkou Branch (上海海衡虹口分公司) in Hongkou District, Shanghai City, which is principally engaged in the sales of clothing, hardware and electrical equipment, needle textiles, building materials, stone, wood, metal materials, machinery and equipment, etc. The relevant industrial and commercial registration procedures have been completed.

On 15 October 2019, Shanghai Haiheng set up Shanghai Haiheng Baoshan Branch (上海海衡寶山分公司) in Baoshan District, Shanghai City, which is principally engaged in the import and export of goods and technology, the sales of clothing, hardware and electricity equipment, needle textiles, building and decoration materials, stone and daily necessities, as well as business information consulting services, etc. The relevant industrial and commercial registration procedures have been completed.

OTHER MAJOR EVENTS IN 2019

On 18 January 2019, the Company completed the issue of the first tranche of the Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.45% per annum (the "First Tranche Super Short-term Notes"). The net proceeds from the issue of the First Tranche Super Short-term Notes are principally used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 28 February 2019, the Company completed the issue of the second tranche of the Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.00% per annum (the "Second Tranche Super Short-term Notes"). The net proceeds from the issue of the Second Tranche Super Short-term Notes are principally used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 25 March 2019, the Company completed the issue of the third tranche of the Super Short-term Notes with a term of 270 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.10% per annum (the "Third Tranche Super Short-term Notes"). The net proceeds from the issue of the Third Tranche Super Short-term Notes are principally used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 31 May 2019, the Company entered into a subscription agreement with Xiamen Port Development, pursuant to which the Company has agreed to subscribe for, and Xiamen Port Development has agreed to issue new shares (the "Subscription Shares") on a non-public basis to the Company (the total number of the Subscription Shares shall not exceed 20% of the total registered share capital of Xiamen Port Development immediately preceding the new issue) for a total consideration of not more than RMB600,000,000. Subsequent to the review by the Shenzhen Stock Exchange, completion of the new issue (the "Completion") took place on 13 January 2020 and the Subscription Shares were listed on 14 January 2020, pursuant to which a total of 94,191,522 Subscription Shares (representing approximately 17.74% of the total registered share capital of Xiamen Port Development immediately before the New Issue) was issued to the Company at a total consideration of RMB599,999,995.14 (i.e. RMB6.37 per Subscription Share) in accordance with the terms and conditions of the subscription agreement. Subsequent to the Completion, Xiamen Port Development remained as a non-wholly owned subsidiary of the Company. For details, please refer to the announcements of the Company dated 31 May 2019 and 10 January 2020, respectively.

On 15 July 2019, the Company completed the issue of the fourth tranche of the Super Short-term Notes with a term of 270 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 3.10% per annum (the "Fourth Tranche Super Short-term Notes"). The net proceeds from the issue of the Fourth Tranche Super Short-term Notes are principally used for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 23 August 2019, the Company completed the issue of the fifth tranche of the Super Short-term Notes with a term of 270 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.18% per annum (the "Fifth Tranche Super Short-term Notes"). The net proceeds from the issue of the Fifth Tranche Super Short-term Notes are fully used for the repayment of the Company's Second Tranche Super Short-term Notes which were immediately due.

On 18 December 2019, the Company completed the issue of the sixth tranche of the Super Short-term Notes with a term of 91 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.30% per annum (the "Sixth Tranche Super Short-term Notes"). The net proceeds from the issue of the Sixth Tranche Super Short-term Notes are fully used for the repayment of the Company's Third Tranche Super Short-term Notes which were immediately due.

SUBSEQUENT EVENTS

On 27 February 2020, the Company completed the issue of the first tranche of the Super Short-term Notes in 2020 with a term of 180 days from the date of issue with a total principal amount of RMB950,000,000 at a fixed interest rate of 2.50% per annum (the "First Tranche Super Short-term Notes in 2020"). The net proceeds from the issue of the First Tranche Super Short-term Notes in 2020 are principally used for supplementing the Group's liquidity and the repayment of the Group's bank loans so as to satisfy the working capital requirements of the Group's business operations and investment projects.

On 13 March 2020, the Company completed the issue of the second tranche of the Super Short-term Notes in 2020 with a term of 180 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 2.48% per annum (the "Second Tranche Super Short-term Notes in 2020"). The net proceeds from the issue of the Second Tranche Super Short-term Notes in 2020 are entirely used for repaying the Company's Sixth Tranche Super Short-term Notes which are immediately due.

Following the COVID-19 Outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world. The Group will pay close attention to the development of the COVID-19 Outbreak and is assessing its impact on the Group's financial condition, operating results and other aspects for financial statements subsequent to 31 December 2019 and will take proactive measures as appropriate.

FUTURE PROSPECTS

2020 is the year in which China comprehensively completes the building of a well-off society and the "13th Five-Year Plan" ends, and is also a crucial year for laying down the foundation for a good start of the "14th Five-Year Plan". Looking forward to 2020, the global economy will still be in a period of deep adjustment after the international financial crisis. Investment and trade are expected to gradually recover from the severe weakness in 2019, but the downside risks still exist. From an international perspective, according to the forecast by the International Monetary Fund in January 2020, the global economic growth in 2020 is expected to be about 3.3%, representing a slight increase compared to that in 2019, but the above growth will depend to a large extent on the controllability of the impact of Sino-US economic and trade tensions, Brexit, social unrest and geopolitical tensions on the economy. From a domestic perspective, the development momentum of China's domestic economy of making progress while maintaining long-term stability has not changed. The Chinese government will implement new development ideas, continue to implement proactive fiscal policies and sound monetary policies, promote supply-side structural reform and regional coordinated development, and strive to overcome the temporary difficulties caused by the outbreak of pneumonia due to infection of the COVID-19 Outbreak, so as to promote the sustained and healthy economic development. In view of various situations, it is expected that the Chinese government will continue to promote the running of the national economy of China within a reasonable range; and the Fujian provincial government and Xiamen municipal government forecast that each of their local national economy will grow by approximately 7–7.5% and 7.5% respectively. The national economy will strive to realise sustainable and steady growth, which will lay down a foundation for the development of Xiamen port and port business. On the other hand, the Chinese government issued and implemented the "Outline of Building a Strong Country in Transportation" in September 2019, the Ministry of Transport of the PRC and other departments included Xiamen's port-type national logistics hub in the list of national logistics hubs construction, and the continuous growing trend of shipping company alliance and vessel up-sizing will all have continuous impact on some of the Group's businesses of the terminals within Xiamen port.

Based on the above forecast on economic and trade situations in 2020, the Company anticipates that the overall port business development in 2020 will be rather complicated. Consequently, in 2020 the Company will adhere to making progress while maintaining stability, focus on its core port business, actively face challenges, strive to overcome the phased adverse effects of the COVID-19 Outbreak, seize opportunities, centre upon the enhancement of its port business volume and economic benefits, improve the quality of its port development and make efforts to push the Group forward to maintain its steady and healthy development. The Group plans to conduct the following measures in 2020:

- To strengthen the prevention and control of the COVID-19 Outbreak and stabilize port production. The Company will pay close attention to the impact of COVID-19 Outbreak on global economy and trade as well as the port and shipping business development, thoroughly analyze the comprehensive risks in the market, business, finance and other aspects caused by the COVID-19 Outbreak, strengthen risk management and control, and promote the policy research on national finance, taxation, and industry support, grasp the market opportunities that may arise due to the change in the COVID-19 Outbreak, closely communicate and cooperate with shipping companies, cargo owners and other relevant customers, excavate customer needs, expand business growth points, strengthen revenue increasing and expenditures reducing, and strive to promote the stable development of port production.

- To strengthen overall marketing and improve the overall marketing platform, the Company will centre around its major port business, actively focus on and respond to the risks and opportunities brought forth by the Sino-US trade conflict, effectively develop synergy between its port business and integrated logistic business, strengthen strategic port-shipping cooperation, strengthen headquarters marketing, actively implement the major customer plan, focus on expanding container incremental businesses such as international container transshipment, domestic feeder line container transshipment, domestic trade container transshipment, businesses related to the "One Belt, One Road" initiative shipping routes, and foster new sustainable development momentum of the Group's port business.

- To enhance the implementation of the hinterland strategy and strive to expand the hinterland cargo resources, the Company will actively build and optimize the "Sea Silk Road" and "Land Silk Road" channels to enhance the density and coverage of the route network, actively set up branch ports, land ports and improve the sea-rail intermodal network, and expand high-density branch lines businesses and sea-land, sea-rail intermodal businesses. Through the construction of a perfect sea-land intermodal network and a cargo collection system, the Company will build a container port service system centered on Xiamen port, radiating out the surrounding economic hinterland and linking the world, so as to help building Xiamen into a port-type national logistics hub and an international shipping center.

- To improve service levels and reform the business environment, the Company will enhance supply-side structural reforms, implement the strategy of "strengthening enterprises by providing better services", promote the optimized port customs clearance business environment, enhance the level of trade facilitation, continuously improve operating efficiency, focus on promoting the innovation of operation and management of Haicang port area integration; speed up the construction of new terminals such as Chaozhou terminal, Gulei terminal and Huajin Berth No. 4, improve the supporting facilities for production at Berth No. 8 in Haicang port area, strive to open the ports in Chaozhou and Jinshang operation areas as soon as possible, so as to promote the high-quality development of ports.

- To promote refined management and strengthen capital operations, firstly, the Company will strengthen corporate governance and improve the level of refined management. The key point is to improve the internal control and management system and strengthen various risk prevention works such as budget execution, system construction, investing and financing management, audit supervision, receivables management, and safe production, etc. Secondly, the Company will give play to the function of the capital operation platform of listed companies. The Company will take the advantages of the capital management center platform, formulate overall plans of financing instrument such as corporate bonds, short-term notes, super short-term notes, and medium-term notes, expand the coverage of overall capital operation management, improve the efficiency of capital use; continue to promote the resources integration of container and bulk cargo terminals and the integration of logistic resources, improve the efficiency of resource allocation and supports the strategic development of the main port business with capital operations.

- To implement the idea of "New Development" and to build a green and smart port, the Company will continue to promote the progress of projects such as shore power for vessels, water supply for vessels, using electricity or gas instead of fossil fuel, 110KV substation for cruises and green lighting upgrades, promote the electrification of mobile machinery and transport vehicles, photovoltaic construction in port areas, so as to strengthen energy conservation, emissions reduction and pollution prevention; adhere to scientific and technological innovation-driven development, accelerate the fully intelligent transformation of container terminals, refine the functions of the container business management platform, promote the construction and promotion of the second phase of smart logistic platforms, accelerate the driverless trailer project and remote operation control technology project of terminal operation machinery and speed up the coverage of intelligent tallying to the terminals within Xiamen port.

- Pursuant to the "Options and Rights of First Refusal Agreement" and "Non-Competition Agreement" entered into between the Company and Xiamen Port Holding, the Company will actively follow up on the relevant terminals assets and the progress of the terminal construction works of Xiamen Port Holding, so as to facilitate the Board and the shareholders to convene meetings to make appropriate decisions based on the management and operational circumstances in a timely manner.

Corporate Governance Report

The corporate governance framework of the Company is designed to ensure the Company's performance and maintenance of its corporate conduct at a high level. The Board fully believes that implementation of a good corporate governance is the core of proper management of an organization, enhancing the transparency of the Company's business, enabling accountability towards shareholders and meeting the expectations of the shareholders and other interest-related parties, procuring the Company to achieve ultimate success.

The Board has adopted the code provisions of the Corporate Governance Code (the "Corporate Governance Code") under Appendix 14 to the Listing Rules as the code of corporate governance practices of the Company.

With reference to the Corporate Governance Code, this annual report elaborates on the corporate governance practices of the Company for the period from 1 January 2019 to 31 December 2019 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 to the Listing Rules. The Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code during the Reporting Period. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

THE BOARD

The Board is accountable to shareholders and operates on the principle of maximizing the profit of the Company, the corporate value and the return of shareholders. The Board fully represents the interests of shareholders and is collectively responsible for formulating the business strategic direction, setting the management targets, supervising the performance of the Group and jointly facilitating the continuous development of the Group in accordance with the Articles of Association (the "Articles") of the Company.

According to the Listing Rules and the Articles, the Rules of Procedures for the Board of Directors of the Company have been reviewed and approved at the Second Extraordinary General Meeting in 2019 held on 20 December 2019, at which such as the composition and structure of the Board and the election and appointment of Directors, the responsibility of the Board, the convening form of the meetings of the Board and the procedure of the meetings of the Board, etc., were further clarified and refined.

DIRECTORS

At the beginning of the Reporting Period, the fifth session of the Board comprised of fourteen Directors, including four executive Directors, namely Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong, five non-executive Directors, namely Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

On 9 July 2019, Mr. FANG Yao resigned from the positions of an executive Director of the Company, the Vice Chairman of the Board due to his change of employment. On the same date, Mr. KE Dong also resigned from the position of an executive Director of the Company due to his change of employment.

Accordingly, as at 31 December 2019, the fifth session of the Board comprised a total of twelve Directors, including two executive Directors, five non-executive Directors and five independent non-executive Directors, details of which are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
CAI Liqun *(Chairman)*	Male	Han	50	Appointed on 28 February 2017
CHEN Zhaohui	Male	Han	50	Appointed on 28 February 2017

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
CHEN Zhiping	Male	Han	53	Appointed on 28 February 2017
MIAO Luping	Female	Han	55	Appointed on 15 June 2018
FU Chengjing	Male	Han	57	Appointed on 28 February 2017
HUANG Zirong	Male	Han	56	Appointed on 28 February 2017
BAI Xueqing	Female	Han	55	Appointed on 28 February 2017

Independent Non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	53	Appointed on 28 February 2017
LIN Pengjiu	Male	Han	53	Appointed on 28 February 2017
YOU Xianghua	Male	Han	54	Appointed on 28 February 2017
JIN Tao	Male	Han	54	Appointed on 28 February 2017
JI Wenyuan	Male	Han	52	Appointed on 28 February 2017

THE SUPERVISORY COMMITTEE

According to the Listing Rules and the Articles, the Rules of Procedures for the Supervisory Committee of the Company have been reviewed and approved at the Second Extraordinary General Meeting in 2019 on 20 December 2019, at which such as the composition and structure of the Supervisory Committee and the election and appointment of Supervisors, the responsibility of the Supervisory Committee, the convening form of the meetings of the Supervisory Committee and the procedure of the meetings of the Supervisory Committee, etc., were further clarified and refined.

At the beginning of the Reporting Period, the fifth session of the Supervisory Committee of the Company comprised five supervisors, including one shareholders representative Supervisor, namely Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

On 23 August 2019, a resolution was passed at the First Extraordinary General Meeting in 2019 to appoint Mr. DU Hongjia as a Supervisor of the fifth session of the Supervisory Committee of the Company. On the same date, the Company convened the ninth meeting of the fifth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the fifth session of the Supervisory Committee of the Company.

On 13 December 2019, Mr. WU Weijian has resigned from the position of staff representative Supervisor of the fifth session of the Supervisory Committee of the Company due to his reaching of the statutory retirement age. On the same date, as approved at the staff representative meeting of the Company, Mr. LIU Xiaolong has been elected and appointed as a staff representative Supervisor of the fifth session of the Supervisory Committee of the Company with immediate effect.

Accordingly, as at 31 December 2019, the fifth session of the Supervisors committee of the Company is as follows:

Supervisors:
Mr. DU Hongjia *(Chairman of the Supervisory Committee)*
Mr. ZHANG Guixian
Mr. LIAO Guosheng
Mr. LIU Xiaolong
Mr. TANG Jinmu
Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 64 to 79 of this annual report and published on the Company's website at http://www.xipc.com.cn.

The structure of the executive Directors, non-executive Directors and independent non-executive Directors of the Board, as well as the quorum and composition are well balanced and appropriate. All members of the Board respectively possess professional knowledge and experience required for performing their duties in port terminal operation, corporate management, finance, laws, investment, financing and other relevant fields. The Company believes that the Board is highly representative with strong abilities, and is capable of making more prudent and cautious decisions, performing its duties honestly, faithfully and diligently and supervising a highly professional management team.

During the Reporting Period, the Company has complied with the relevant requirements of Rule 3.10 and Rule 3.10A of the Listing Rules by appointing at least three independent non-executive Directors and having two independent non-executive Directors with appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of independent non-executive Directors appointed (i.e. five) is accounted for at least one-third of the members of the Board of the Company (which is twelve in total).

All independent non-executive Directors have confirmed their independence during the Reporting Period with the Company in accordance with the requirements of the Rule 3.13 of the Listing Rules. Based on their confirmations, the Board is satisfied that, as at the date of this annual report, all independent non-executive Directors have maintained their status of independence as defined in the Listing Rules.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the leadership and control of the Group and jointly promoting the success of the Group through guiding and supervising the Group's business. The Board is also responsible for formulating the Company's corporate governance policy and performing the corporate governance duties and is required to ensure proper compliance with applicable laws and regulations, to carry out balanced, lucid and easy-to-understand assessments on the performance, conditions and prospects of the Company as set out in the annual and interim reports, to publish inside information and other financial disclosure as and when required by the Listing Rules, and to report any discloseable information to regulatory authorities in accordance with statutory requirements.

The Board has fiduciary and statutory obligations owed to the Company and the Group, and exercises a number of powers, including:

- formulating long-term strategy;

- formulating annual financial budget and final accounts proposal;
- approving announcements, including interim and annual financial statements;
- formulating dividend policy;
- deciding on the establishment of the Company's internal management structure;
- formulating the Company's basic management system;
- approving material borrowings and treasury policy;
- carrying out major acquisitions and disposals, formation of joint ventures and entering into capital transactions; and
- formulating the Company's corporate governance policy and performing the corporate governance duties.

The management of the Company is responsible for various duties delegated by the Board, mainly including:

- taking charge of the daily management and operation of the Company and the business of the Group;
- organizing and implementing the resolutions of the Board;
- organizing and implementing the Company's annual operating plans and investment proposals;
- drawing up the proposal of the establishment of the Company's internal management structure;
- drawing up the Company's fundamental management system; and
- formulating specific rules and regulations of the Company.

As at 31 December 2019, the senior management of the Company included Mr. CHEN Zhaohui (General Manager), Mr. XU Xubo (Deputy General Manager), Mr. CHEN Zhen (Deputy General Manager and Chief Financial Officer) and Mr. CAI Changzhen (Company Secretary).

The roles of the Chairman and the General Manager have been separated with a clear division of responsibilities and have been performed by different individuals to secure their independence, accountability and well-balanced power and authority: the Chairman is responsible for leading the Board, deciding the long term development strategy, overall development targets and business objectives of the Company. The Chairman is also responsible for convening and presiding over Board meetings; organizing and fulfilling the functions of the Board; and inspecting the execution of the Board resolutions, and hence enabling a normal and effective operation of the Board with good corporate governance practices and procedures, whilst the General Manager assumes the responsibility to perform the above duties and the other management duties in accordance with the Articles under the assistance and support of other members of the management, and is responsible for the daily operation and management of the Company to facilitate the Company to achieve its overall business targets. The Board has resolved to approve the "Regulations for the Chairman's Works" and the "Regulations for the General Manager's Works" of the Company, which further clarify and refine the above duties of the Chairman and the General Manager.

Each of the Directors (including all non-executive Directors) and the Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new member of the Board or the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after his or her respective appointment. Other than that, none of the Directors and the Supervisors has any personal beneficial interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2019, or has entered into with the Company any service contract which shall be not terminable within one year without payment of compensation (other than statutory compensation) by the Company.

Save as disclosed above, none of the Directors, the Supervisors and the senior management has any financial, business or family relationships or other material/relevant relationship with the Company or each other for which disclosure may be required.

Other than the general functions exercisable by the Directors as provided for in the Articles in order to procure the Board to make more complete and prudent decisions, important functions of corporate governance are also borne by the five independent non-executive Directors of the Company. Each of them also plays an important role in the five professional committees under the Board, of which four committees are chaired by one of them respectively, so as to promote good corporate governance in respect of financial audit and internal control, corporate governance policy and practices, remuneration management, strategic planning and the Board structure. Meanwhile, the independent non-executive directors also undertake the important functions of reviewing and monitoring the connected transactions of the Group and carry out sufficient checks and balances so as to protect the interests of the shareholders and the Company as a whole. The Company strives to facilitate full attendance of all independent non-executive Directors at its Board meetings in order to enhance their opportunities of expressing their independent judgments and opinions thereat. Approval of the independent non-executive Directors is required in respect of any resolution on connected transactions proposed by the Board.

The Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management to indemnify them against all liabilities howsoever arising from the corporate activities conducted by the senior management members, such as the Directors. The insurance coverage will be reviewed by the Company on an annual basis.

BOARD MEETINGS

The Company strives to provide all Directors with sufficient information concerning the matters to be reviewed and resolved at the meetings of the Board and each professional committee, and provide each Director with the relevant information in respect of the operation, management and finance of the Company on a monthly basis in accordance with the Listing Rules to ensure that the Directors have readily available information in making informed decisions and discharging their functions and responsibilities. During the year of 2019, all Directors proactively attended each of the Board meetings and professional committee meetings. The Board believes that each Director has devoted sufficient time to the business of the Company during the Reporting Period and is capable of discharging their functions diligently.

The Board has held regular meetings in accordance with the requirements of the Rules of Procedures for the Board of Directors of the Company and the code provision A.1.1 of the Corporate Governance Code. In accordance with the requirements of the Articles, the Board shall convene at least four meetings every year and the Board meetings shall be convened by the Chairman. In order to facilitate maximum attendance of the Directors, notices (including the relevant agendas) of Board meetings were dispatched to all Directors at least fourteen days prior to the meetings during the year of 2019. In respect of extraordinary Board meetings, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting.

Before each Board meeting is convened, the Company Secretary shall draw up the matters to be submitted to the Board for consideration and determination, assist the chairman of the meeting in preparing the agenda for each Board meeting and ensuring that the agenda complies with the applicable regulations and rules of the meeting concerned. Meanwhile, all the Directors have the opportunity to include their motions in the meeting agenda. The final agenda and the documents for the Board meeting are distributed to the Directors at least three days before the meeting, so as to ensure that they have sufficient time to review the documents concerned and are well-prepared for the meeting. If any Director is unable to attend the meeting, he or she shall also be informed of such matters to be addressed at the meeting, and has the opportunity to present his or her own opinion to the chairman of the meeting before the meeting is held and is also allowed to attend by teleconference or authorize other Directors to vote on his or her behalf.

The Board meeting shall only be validly held if attended by more than half of the Directors. Directors may attend the Board meeting in person or appoint, in written form, other Directors as proxies to attend the meeting on their behalf. If any Director has a conflict of interest in any resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

During the year of 2019, the fifth session of the Board has held nine meetings. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meeting Attended in Person/by Proxy	Attendance Rate
Executive Directors		
CAI Liqun	9/0	100%
CHEN Zhaohui	8/1[a]	100%
FANG Yao	5/0[b]	100%
KE Dong	5/0[b]	100%
Non-executive Directors		
CHEN Zhiping	9/0	100%
MIAO Luping	8/1[c]	100%
FU Chengjing	9/0	100%
HUANG Zirong	9/0	100%
BAI Xueqing	9/0	100%
Independent non-executive Directors		
LIU Feng	9/0	100%
LIN Pengjiu	9/0	100%
YOU Xianghua	9/0	100%
JIN Tao	9/0	100%
JI Wenyuan	9/0	100%

Notes:

a Mr. CHEN Zhaohui was present in person in eight of the nine Board meetings, and the remaining one Board meeting was attended and voted on his behalf by an authorized Director during his business trip away from Xiamen;

b Mr. FANG Yao and Mr. KE Dong both resigned as executive Directors of the Company on 9 July 2019, then only attended the five Board meetings held before their resignations in 2019;

c Ms. MIAO Luping was present in person in eight of the nine Board meetings, and the remaining one Board meeting was attended and voted on her behalf by an authorized Director during her business trip away from Xiamen.

The chairman of the meeting is responsible for conducting the procedures of the Board meetings to ensure that sufficient time is allocated for discussion and consideration of each item on the agenda, equal opportunities are given to all Directors to speak and give their opinions and express their concerns.

The Company Secretary is responsible for ensuring that the operation of the Board complies with procedures as required under the Company Law of the People's Republic of China (the "Company Law"), the Articles and the procedures as required under the Listing Rules, and providing the Board with recommendations on matters regarding corporate governance and regulatory compliance. The Company Secretary is also responsible for compiling and keeping the minutes of the Board meetings and meetings of each professional committee. To enable Directors to make informed decisions, all Directors are entitled to inspect the minutes of the Board meetings and relevant materials at any reasonable time and are informed about the latest information of the Company promptly.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, with the support of the Company Secretary, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills, including, but not limited to, provision of reading materials to the Directors in respect of latest legal and regulatory requirements and development as to corporate governance, directors' duties, internal risk management and compliance obligations of listed issuers in Hong Kong so as to ensure that their contribution to the Board remains informed and relevant. Newly appointed Directors have received external induction training on relevant compliance, regulatory and legal matters for directors of companies listed in Hong Kong before their respective appointment became effective. They also provided a record of training that they received during the Reporting Period to the Company Secretary.

A summary of training received by the Directors during the Reporting Period is as follows:

Names of Directors	Training Contents
Executive Directors	
CAI Liqun	A, B, C
CHEN Zhaohui	A, B, C
FANG Yao (resigned on 9 July 2019)	A, B, C
KE Dong (resigned on 9 July 2019)	A, B, C
Non-executive Directors	
CHEN Zhiping	A, B, C
MIAO Luping	A, B, C
FU Chengjing	A, B, C
HUANG Zirong	A, B, C
BAI Xueqing	A, B, C
Independent non-executive Directors	
LIU Feng	A, B, C
LIN Pengjiu	A, B, C
YOU Xianghua	A, B, C
JIN Tao	A, B, C
JI Wenyuan	A, B, C

Notes:

A: Thematic trainings or studies on topics such as corporate governance of listed companies, directors' duties, connected transaction and internal risk management, etc.;

B: Thematic training or studies on topics such as economics, finance, corporate management and law, etc.;

C: Attending seminars, forums and conferences on topics related to corporate governance, directors' duties, connected transaction, internal risk management as well as economics, finance, corporate management and law, etc..

COMMITTEES ESTABLISHED UNDER THE BOARD

To assist the performance of its duties and to facilitate effective management, five committees were set up under the Board by the Company, namely the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee. The Board has delegated certain of its functions to these committees, which are required to review their specific scope of functions and report to the Board with recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

According to the Listing Rules and the Articles, the rules of procedures for the each committee have been reviewed and approved respectively at each committee meeting and the twenty-seventh meeting of the fifth session of the Board of the Company, at which such as the composition of each committee, the duties and power of each committee, the convening form of each committee and the procedure of the meetings of each committee as well as the operating mechanism of each committee, etc., were further clarified and refined.

Each committee has specific functions and authorities. Members of the committees are entitled to make decisions on relevant issues within the terms of reference delegated to each committee. Particulars of the above Committees are set out below and their respective rules of procedures and terms of reference are also published on the Company's website at www.xipc.com.cn and the website of Stock Exchange.

NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee of the Company comprised three members, including Mr. CAI Liqun, the Chairman and an executive Director, and two independent non-executive Directors, Mr. LIN Pengjiu and Mr. JIN Tao. The Nomination Committee was chaired by Mr. CAI Liqun.

The Board has adopted the terms of reference of Nomination Committee which conform to the relevant code provisions as set out in the Corporate Governance Code. The principal duty of the Nomination Committee is to review structure, size and composition of the Board, identify qualified person to be members of the Board and assess independence of the independent non-executive Directors, and make recommendations to the board on the succession plan of Directors (particularly the Chairman and the General Manager) to the Board.

In accordance with code provision A.5.6 of the Corporate Governance Code, the Company has prepared its policy on Board diversity, which is effective after considered and approved at the meeting of the Board, such policy has been further clarified and implemented by the relevant provisions of the Company's Rules of Procedures for the Board of Directors and Rules of Procedure for the Nomination Committee. To achieve Board diversity, when formulating the composition of the Board, the Company will consider the diversity of the members of the Board in various aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional competence, industry experience, skills, knowledge and term of service. All the appointments of the members of the Board are made on the basis of meritocracy, fully taking into account the benefits of the diversity of the members of the Board based on the objective conditions when considering the candidates and eventually determine the appointment based on the relevant expertise, contributions that he/she can bring to the Board and the Company and the balance of the composition of the Board. Such policy has been published on the Company's website at www.xipc.com.cn.

The Nomination Committee of the Company has evaluated the structure of the Board of the Company during the year and considers that its structure, size and composition are well-balanced and appropriate. For details, please refer to the section titled "Directors" under "The Board" above.

During the Reporting Period, the Nomination Committee of the Company has held a total of three meetings, mainly for conducting the following businesses: reviewing the structure of the Board and assessing the independence of the independent non-executive Directors; deliberating the Rules of Procedure for the Nomination Committee; making recommendations to the Board on the nomination of Directors (including independent non-executive Directors) and Chairman of the sixth session of the Board of the Company.

Each member's attendance records of the meetings of the Nomination Committee are as follows:

Members of the Nomination Committee	Number of the Committee Meeting Attended in Person/by Proxy	Attendance Rate
CAI Liqun	3/0	100%
LIN Pengjiu	3/0	100%
JIN Tao	3/0	100%

NOMINATION OF DIRECTORS

The procedures/policy in respect of the nomination of the directors are as follows:

All intended candidates for directorship of the Company shall be first considered by the Nomination Committee and, if suitable, recommended to the Board for consideration and approval, prior to the submission by the Board to the general meetings for consideration and approval. While considering candidates for directorship proposed for new appointment or nominated for re-election, the Nomination Committee will conduct an assessment on the candidates for directorship before making any recommendation to the Board. The underlying principles of the Nomination Committee in nominating, and of the Board in assessing, candidates for directorship (including incumbent Directors seeking re-election) are:

- the relevant candidate's knowledge, background, ability, industry experience and qualifications and his/her integrity, independent thinking and capability to contribute time and effort to effectively discharge the duties concerned;

- whether there is compliance with the provisions of the Rules of Procedures for the Board of Directors in respect of qualifications and conditions for directorship;
- whether there is compliance with the provisions of the Articles in respect of qualifications and conditions for directorship;
- whether there is compliance with the relevant requirements or provisions under the PRC laws in respect of Directors' taking office of overseas-listed companies; and
- whether there is compliance with the relevant requirements or provisions under the Listing Rules in respect of Directors' taking office.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the Company comprised three members, including two independent non-executive Directors, namely Mr. LIU Feng and Mr. YOU Xianghua, and one non-executive Director, Mr. FU Chengjing. The Audit Committee was chaired by Mr. LIU Feng. All members of the Committee possess relevant professional skills and experiences and two of them are independent non-executive Directors with professional qualifications and financial management expertise. Accordingly, the Company has been in compliance with the requirements in respect of audit committee as set out under Rule 3.21 of the Listing Rules during the year of 2019.

The Board has adopted the terms of reference of the Audit Committee which comply with the relevant code provisions set out in the Corporate Governance Code. The Audit Committee is mainly responsible for: making recommendations to the Board in respect of the appointment, removal and remunerations of the external auditors and reviewing its performance; reviewing and monitoring the independence of the external auditors and the effectiveness of auditing procedures; reviewing the Company's financial information and monitoring the Company's financial reporting system, and reviewing the Company's risk management and internal control procedures and its effectiveness.

During the Reporting Period, the Company's Audit Committee has held a total of four meetings, mainly for conducting the following businesses: reviewing the accounting principles and practices adopted by the Group, financial reporting, internal control and risk management and other material matters; reviewing the Group's annual report on annual results for the year ended 31 December 2018 and the environmental, social and governance report as well as the Group's interim report on interim results for the six months ended 30 June 2019; reviewing the audited results presented by the auditors and discussing with the external auditors in respect of any important findings and auditing matters; reviewing the non-exempted continuing connected transactions of the Group; considering the re-appointment of external auditors and fixing its remuneration and making recommendations to the Board for approval; deliberating the Rules of Procedures for the Audit Committee; and discussing and approving the action plan for the internal audit of the Group in 2019.

During the Reporting Period, the members' attendance records of the meetings of the fifth session of the Audit Committee are as follows:

Members of the Audit Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIU Feng	4/0	100%
FU Chengjing	4/0	100%
YOU Xianghua	4/0	100%

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee of the Company comprised three members, including two independent non-executive Directors, namely Mr. YOU Xianghua and Mr. LIU Feng, and one non-executive Director, Ms. MIAO Luping. The Remuneration Committee was chaired by Mr. YOU Xianghua.

The Board has adopted the terms of reference of the Remuneration Committee which comply with the code provisions set out in the Corporate Governance Code. The primary functions of the Remuneration Committee are: to make recommendations to the Board in respect of the policy and structure of the remuneration of the Directors, Supervisors and the senior management of the Group, to formulate formal and transparent procedures for such remuneration policy, to review and determine their remuneration levels, and to make recommendations to the Board in respect of the remuneration of each of the Directors and senior management. The Remuneration Committee will engage professional consultants for provision of assistance and/or professional advice on related matters when needed.

During the Reporting Period, the Remuneration Committee of the Company held two meetings to deliberate the Rules of Procedures for the Remuneration Committee as well as review and audit the remuneration of the Directors, Supervisors and the senior management, including the granting of annual bonus, reviewing and perfecting remuneration policy. Before determining the remunerations and benefits (including salary and bonus), the Remuneration Committee has taken full consideration of factors into account, such as the comparable market remuneration level in the PRC, and the time committed by, duties and personal performance of the Directors, Supervisors and senior management as well as the results of the Company. The Remuneration Committee also reviews and audits the remuneration of Directors and the senior management with reference the corporate objectives set by the Board from time to time.

During the Reporting Period, the members' attendance records of meeting of the fifth session of the Remuneration Committee are as follows:

Members of the Remuneration Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
YOU Xianghua	2/0	100%
LIU Feng	2/0	100%
MIAO Luping	2/0	100%

REMUNERATION POLICY FOR DIRECTORS

The remuneration policy for Directors aims to ensure that the remuneration level is sufficiently competitive and effective to attract, retain and incentivize Directors. The purpose of the remuneration policy of the non-executive Directors of the Company is to ensure that they are sufficiently but not excessively compensated for their effort and time contributed to the Company and that the remuneration policy for executive Directors is to ensure that the remuneration they received accords with their duties and basically in line with market practice. The remuneration for non-executive Directors is paid in the form of directors' fee. The principal elements of the remuneration package of executive Directors include basic salary and related allowances, benefits in kind and discretionary cash bonus, pension scheme contribution and relevant insurance benefits. Cash bonuses for executive Directors, as incentives for them to achieve the Company's objectives, are linked with the Group's operating results.

As the Company's customary practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. The emoluments paid to each Director by the Company for the year ended 31 December 2019 are set out in Note 28 to the financial statements.

BUSINESS STRATEGY COMMITTEE

During the Reporting Period, the Business Strategy Committee of the Company comprised five members, including independent non-executive Director, Mr. JIN Tao, executive Directors, Mr. CAI Liqun and Mr. CHEN Zhaohui, and non-executive Directors, Mr. CHEN Zhiping and Ms. BAI Xueqing. The Business Strategy Committee was chaired by Mr. JIN Tao.

The main duties of the Business Strategy Committee are to review and consider the overall strategy and the direction of the business development of the Company, and to consider, assess and review any important investment plan, acquisition and disposal and propose them to the Board, and to perform subsequent evaluation on investment projects.

During the Reporting Period, the Business Strategy Committee of the Company held two meetings to discuss and review such matters related to the Company's business operation schedule for 2019 as well as the Rules of Procedures for the Business Strategy Committee. During the Reporting Period, a majority of the members of the Business Strategy Committee were also involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

During the Reporting Period, the members' attendance records of the meeting of the fifth session of the Business Strategy Committee are as follows:

Members of the Business Strategy Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
JIN Tao	2/0	100%
CAI Liqun	2/0	100%
CHEN Zhiping	2/0	100%
BAI Xueqing	2/0	100%
CHEN Zhaohui	2/0	100%

CORPORATE GOVERNANCE COMMITTEE

At the beginning of the Reporting Period, the Corporate Governance Committee of the Company comprised three members, including two independent non-executive Directors, namely Mr. LIN Pengjiu and Mr. JI

Wenyuan, and one executive Director, Mr. FANG Yao. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu. On 9 July 2019, Mr. FANG Yao resigned from the positions of executive Director, deputy chairman of the Board and member of the Corporate Governance Committee of the Company due to his change of employment. Accordingly, for the year ended 31 December 2019, the Corporate Governance Committee of the Company comprised two independent non-executive Directors, namely Mr. LIN Pengjiu and Mr. JI Wenyuan. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu. The Directors are of the view that the resignation of Mr. FANG Yao during the Reporting Period has not and will not affect the normal operation of the Corporate Governance Committee.

The Board has adopted the terms of reference of the Corporate Governance Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Corporate Governance Committee are: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and relevant disclosure requirements.

During the Reporting Period, the Corporate Governance Committee of the Company has held three meetings, mainly for conducting the following businesses: discussing and reviewing the corporate governance report for the year ended 31 December 2018 of the Company, which sets out the Company's policies and practices on corporate governance and includes mandatory disclosure requirements and most information to be disclosed under the Appendix 14 to the Listing Rules, reviewing the environmental, social and governance report of the Group for the year ended 31 December 2018, and deliberating the Rules of Procedures for the Corporate Governance Committee.

During the Reporting Period, the members' attendance records of the meetings of the second session of the Corporate Governance Committee are as follows:

Members of the Corporate Governance Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Pengjiu	3/0	100%
JI Wenyuan	3/0	100%
FANG Yao*	2/0	100%

Note:

* Mr. FANG Yao resigned as a Director and a member of the Corporate Governance Committee on 9 July 2019, he did not attend the meeting of the Corporate Governance Committee held on 4 November 2019.

COMPANY SECRETARY

At the beginning of the Report Period, Mr. CAI Changzhen ("Mr. CAI") and Ms. LAM Yuk Ling ("Ms. LAM") of TMF Hong Kong Limited (a company providing corporate secretarial services in Hong Kong), were the joint company secretaries of the Company. On 18 April 2019, Ms. LAM resigned as a joint company secretary and an alternate authorised representative of the Company under Rule 3.05 of the Listing Rules. Following Ms. LAM's resignation, Mr. CAI, the other joint company secretary of the Company, has been remained in office as the sole company secretary of the Company with effect from 18 April 2019. Mr. CAI has obtained the confirmation from the Stock Exchange in relation to his qualification as the company secretary of the Company as required under Rule 3.28 of the Listing Rules. Accordingly, as at the date of 31 December 2019, Mr. CAI was the sole company secretary of the Company, and he is also the primary contact person of the Company. Mr. CAI has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2018 annual general meeting held on 14 June 2019, for a term until the expiration of the forthcoming annual general meeting.

During the Year, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,105,000 (of which, the remuneration payable by the Company was RMB1,605,000), exclusively for annual audit services. In addition, the Company also paid non-audit service fees of RMB75,000. Except for this, the Company did not pay any other fees for non-audit services to the external auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of internal control environment has been and remains a top priority of the Group. The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk management control system, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. During the year of 2019, the Audit Committee of the Company has assisted the Board in conducting review on the effectiveness and the adequacy of the internal control and risk management control system twice, i.e., the effectiveness review for the year of 2018 was conducted in March 2019, and the effectiveness review for the first half year of 2019 was conducted in August 2019, the audit scope of which covers all material aspects of the control system, including the financial, operational, compliance monitoring and risk management functions etc.. The Audit Committee has examined the relevant review report and discussed with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. The Board is satisfied with the existing internal control and risk management control system of the Group and is of the view that the control system is adequate and effective in all material areas, and also complies with the code provisions on risk management and internal control set out in the Corporate Governance Code. No significant control deficiency and major concerns which may affect the interest of the shareholders has been identified during the Reporting Period, and the Board will continue to improve the risk management and internal control system to facilitate our corporate governance.

The management of the Company highly values risk management and internal control and principally takes charge of formulating, implementing and maintaining the risk management and internal control system of the Group, in order to ensure a good and effective monitoring, which in turn effectively safeguards the shareholders' investment and the assets of the Company. The specific measures are as follows:

(1) Financial control

During the Reporting Period, the Group strictly complied with the relevant laws and regulations, implemented every financial management system by the Company such as the "Interim Provisions of Asset Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis", the "Trial Methods for Tax Planning Management", the "Basic Methods for Financial Management", the "Method for Fund Management", the "Method for Fixed Asset and Construction in Progress Management", the "Method for Intangible Asset Management", the "Measures for the Management of Raised Funds", the "Implementing Rules for Financial Risk Management", the "Method for Tax Payment Management", the "Method for Accounting Policy and Accounting Estimate Management", the "Implementing Rules for the Treatment of the Responsible Persons of Enterprise to Perform Their Duties and the Management of Operational Expenditure (Trial)", "Method for Expense Imbursement Management", "Credit Investment Management System (Trial)" and the "Fund-sharing Services Management Practices" and the "Method for Refinancing Securities Lending Business Management", newly issued and implemented financial management systems, such as, "Administrative Measures for the Prevention and Control of Bond Issuance Risks", etc., so as to continuously regulate the financial management system of the Company, strictly implement the limits for examining and approving authority and proceedings thereof on the financial revenues and expenditures, and strengthen the financial management. The Group also continues to improve its management accounting system, in order to provide its management with an objective indicator to measure the financial and operational performance and provide relevant financial information for reporting and disclosure purpose. Variances against actual performances and targets are prepared, analyzed and explained and appropriate actions are also taken to rectify the identified deficiencies, if necessary. This enables the management of the Group to monitor business operations closely and also enables the Board to formulate and, if necessary, revise strategic plan timely and prudently. The Group highly values and requires the integrity of the account and finance personnel, as well as their qualification, and continuous training resources and its budgets have been adequately considered.

The Audit Committee of the Company shall act in accordance with the responsibilities and procedures stipulated in the "the Rules of Procedures for the Audit Committee", be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group's risk management and internal control as well as the adequacy of the internal and external auditing. In 2019, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group's audited accounts for the year ended 31 December 2018, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of external auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2019.

The Company attaches great importance on the internal audit functions. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective risk management and internal control system within the Group. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its relevant members shall examine and audit the relevant documents before they are issued in accordance with certain prescribed procedures. As the supervisor of internal audit function, the head of the audit department can contact the Audit Committee without any restrictions, attend the meetings of the Audit Committee and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enables the independence and effectiveness of the internal audit of the Company. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee.

According to the 2019 Internal Audit Plan considered and agreed by the Audit Committee, the Company conducted special audits on items such as the operation and management of the relevant entities under the Company, accounts receivable management, inventory management, investment management and the economic responsibilities of the leaders of relevant enterprises during their positions or leaving their positions, etc. The Company also reviewed the business risk and internal control inspection, and made corresponding recommendations for improvement on the relevant business risk management and internal control construction.

(2) Operational control

The Company's management and its respective departments exercise and discharge their respective powers and duties in accordance with the Articles and the corporate policies of the Company, so as to safeguard the operation of the Company's business. The heads of the departments and the senior management convene the meetings regularly (once a month) to keep abreast of the market trends and changes, analyze and discuss the performance of each business segment, and respond to changes in business environment, market conditions and operation. The major issues of the Company shall be submitted by the management to the Board or at general meetings for consideration and voting in accordance with procedures stipulated in the Articles.

The Group strictly implements management systems, such as, the "Computer Information Technology Management System", the "Network Management Measures", the "Information System Management Measures", the "Regulations on Management of Network and Information Security Personnel" and the "Network Information Security Emergency Plan", etc., and continues to promote computerized management of its business process, and certain major business operations are controlled and monitored by computer systems, such as the operations of its container loading and unloading business, shipping agency and tallying. The Group has built and commenced using the Xiamen Container Intelligent Logistics Platform, and its terminals have installed and utilized the Xiamen Port Container Business Management Platform, sped up the transformation of the remote control of container bridge cranes and the automation of yard, and promoted the electronization of the equipment interchange receipt of containers, so the production manager at all levels can completely and directly master the basic information of real-time development of ship and terminal operation, so as to improve the production efficiency and monitoring level of terminals. In order to ensure the stability and reliability of the computer systems, the operating systems are operated by trained professionals, checked regularly and upgraded where necessary. All the data are backed up in a timely manner, and contingency plans are drawn up for emergencies to ensure safety.

The Group attaches great importance to the safety production in the ports, and strictly enforces the "Emergency Response Plan for Production Safety Accidents" so as to improve the emergency rescue system, enhance the emergency response capability and prevent and reduce port incidents and the damage caused. The Group has established a sound safety production responsibility system, and signed the responsibility statements for safety production and environmental protection objectives management from top to bottom, and tasks are assigned down to every level and implemented in detail. The Group allocates adequate resources in terms of allocation of safety equipment and facilities, safety promotion, safety drilling and staff training. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that the manager and staff at all levels put safety as the top priority, and make effort to promote the safety standard to all sites.

(3) Compliance Control

Subject to the applicable laws and regulations of "Company Law of the PRC", "Contract Law of the PRC", "Trademark Law of the PRC", "Port Law of the PRC" and "Maritime Law of the PRC", the Group has continuously regulated and improved its internal management system with regard to the management of its business transactions with outsiders. Business transactions with external parties and issues in respect of the intellectual property rights are handled prudently in accordance with the required procedures set out in the newly revised and implemented the "Measures for the Administration of Contracts" of the Company during the Reporting Period. The Company's proprietary trademark has also been registered with the Trademark Office of the State Administration for Industry & Commerce, and the Group continued following up to complete the extension of trademark, so as to ensure its continuous effectiveness. The Company's legal professionals and the Company Secretary will participate in handling the relevant legal documents of the Company, offer advice on the legality and compliance of its major operation decisions, and work in conjunction with the respective departments in respect of the specific projects. The Company Secretary will make arrangements to consult legal advisers, when necessary, for opinions on specific legal matters. During the Reporting Period, the Company has newly promulgated and implemented the "Management System for Legal Affairs" to further clarify the review scope of legal affairs and promote the management of enterprises pursuant to laws.

The Group has adopted the code provisions of the Corporate Governance Code as the code on corporate governance practices of the Company, and strictly complies with the relevant information disclosure requirements under the Listing Rules. With respect to the procedures and internal control measures for the handling and dissemination of inside information, the Company fully understands its obligations assumed under the Listing Rules and the material principle that inside information should be announced as soon as reasonably practicable. The Company also understands that it shall comply with the "Guide on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong when handling relevant matters, based on which the Company has also formulated the "Inside Information Management System". The Company's policy includes strict prohibition on any unauthorized use of confidential, sensitive or inside information. In addition, procedures have been established and implemented for responding to external enquiries about the Group's matters. In relation to the strengthening of confidentiality management work, the Company has formulated the "Confidentiality Management Work System". In order to standardize information disclosure affairs of the Company, the "Management System for Information Disclosure Affairs" of the Company has made specific provisions of the basic principles, content, procedure, responsibility and confidentiality measures of information disclosure of the Company. And with regard to the information disclosure of the relevant businesses, the Company has issued and implemented the "Management System Governing Information Disclosure Affairs of Debt Financing Instrument of Non-financial Enterprise", the "Management System for Information Disclosure of Corporate Bonds", the "Management System for Corporate Bonds Investor Relationship" and the "Management System for Environmental, Social and Governance Report", so as to ensure the normalization of the relevant information disclosure.

The Group emphasizes the internal control of certain major issues, such as connected transactions and has also promulgated and implemented the "Management System for Connected Transactions", established and improved its control system and procedures for connected transactions in accordance with the requirements under the Listing Rules. The enterprises under the Group designate the dedicated personnel to calculate and aggregate the information regarding the connected transactions on a regular basis, and timely update the name list of connected parties (not a complete list). The negotiation and execution of contracts relating to connected transactions shall be reviewed carefully by the appropriate management to ensure that the transactions comply with the pricing policies of the Group. The contracts shall be submitted to the Board or the general meeting pursuant to procedures for review and approval and then disclosed to the public in a timely manner, so as to ensure that such connected transactions, as well as their decision making process and information disclosure comply with the relevant rules and regulations. During the Reporting Period, The Company adjusted the maximum transaction amount of the relevant connected transactions for the year ending 2019 in accordance with procedures in a timely manner based on the business development, timely disclosed one-off connected transactions in relation to equity transfer, etc..

In addition, pursuant to the Rule 3.10A of the Listing Rules and relevant provisions of the Articles, the Company has appointed five independent non-executive Directors, accounting for at least one-third of the members of the Board. Also, the Company has published the relevant information about the Articles, the list of the Directors and their roles and functions, and the procedures for shareholders to propose a person for election as a Director on the Company's website and the website of the Stock Exchange.

(4) Risk Management

Since its establishment, the Group has formulated various risk control regulations, including the "Measures for Asset Tenancy and Administration", the "Interim Provisions of Asset Supervision and Management", the "Management Methods (Trial) for Equipment Invitation Bidding and Procurement", the "Information System Security Management Method (Trial)", the "Measures for Appraising the Operation Results of Members of the Group", the "Provisions on Management of Internal Audit", the "Measures for the Administration of Internal Control", the" Implementing Rules on Internal Control Assessment", the "System for Investment Management", and the "Management System Governing Information Disclosures of Debt Financing Instrument of Non-financial Institutions", the "Internal Control System for Off-line New Shares Subscription Business" and the "Goods and Services Procurement Management System", the "Implementing Rules for Financial Risk Management", the "Administrative Measures for the Prevention and Control of Bond Issuance Risks" and the "Seals Management System", and established the legal affairs reporting system of the Group and strengthened the monitoring of major contracts, connected transactions and other legal affairs by newly promulgating and implementing the "Management System for Legal Affairs", the "Legal Dispute Management Measures" and the "Measures for the Administration of Contracts" as well as the related specific measures, for the purpose to enhance the risk management of and control over the various projects including the operation and disposal of assets, major agreements, information system security, equipment procurement, off-line new share subscription, material procurement, the inward/external investment and financing projects, so as to improve the comprehensive risk management system and enhance the risk prevention capability of the Group. In accordance with the provisions as set out in the Corporate Governance Code, the terms of reference of the Audit Committee under the Board has covered the related content of the risk management, and published such terms of reference as set out in its rules of procedures on the Company's website and the website of the Stock Exchange.

The management of the Company has conducted frequent discussions regarding the effectiveness of the risk management and internal control system with relevant Directors, and focused on market operation risks, financial products investment risks and significant litigation risks, improved risk management monitoring mechanisms, and strived to control risk levels. The Company believes that the continuous improvement and effective operation of its risk management and internal control system will be helpful for the Company to timely deal with and mitigate the potential risks and better safeguard the interests of customers and shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has already adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. With regard to the Company's actual circumstances, the Company prepared a Model Code for Securities Transactions by Directors of Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standards set out in the Model Code. The Code has been approved at the meeting of the Board and become effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company. The Company has made specific enquiry of, and has received specific confirmations from, all Directors, Supervisors and senior management that they at all times complied with the standards required in the Model Code and the Code during the Reporting Period, and the Company was not aware of any violations during the Reporting Period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2019, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgements and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to prepare the financial statements on a going concern basis.

The Directors also have responsibilities to ensure the Group has kept the proper accounting records that disclose with reasonable accuracy at any time the financial position and results of the Group and the financial statements can be prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

In addition, the Directors are obliged to take all reasonable and necessary measures to protect the Group's assets, and to prevent and detect fraud and other irregularities.

The auditor's statement of responsibilities for the audit of the consolidated financial statements for the year ended 31 December 2019 is set out on page 101 of this annual report.

SHAREHOLDERS' RIGHTS

The Board and senior management of the Company fully understand their responsibilities to act on behalf of the interests of the shareholders as a whole and to strive to enhance shareholders' value. The Company believes that regular and timely communication with shareholders will help our shareholders to better understand our business.

The Company considers that the annual general meeting is an appropriate forum at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting at least 45 days before the meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes shareholders to raise their questions at the above meetings. The Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings. In order to ensure that shareholders can express their intentions freely at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. The Board is committed to maintaining communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2019, the Company convened three general meetings in total, namely the 2018 annual general meeting on 14 June 2019, as well as the first extraordinary general meeting in 2019 on 23 August 2019 and the second extraordinary general meeting in 2019 on 20 December 2019.

The attendance record of each Director of the fifth session of the Board of the Company at the general meetings in 2019 is set out below:

Members of the Board	Number of the Board Meeting Attended	Attendance Rate
Executive Directors		
CAI Liqun *(Chairman of the Nomination Committee)*	3	100%
CHEN Zhaohui	2[a]	67%
FANG Yao	1[b]	100%
KE Dong	1[b]	100%
Non-executive Directors		
CHEN Zhiping	2[c]	67%
MIAO Luping	2[d]	67%
FU Chengjing	2[e]	67%
HUANG Zirong	2[f]	67%
BAI Xueqing	3	100%
Independent Non-executive Directors		
LIU Feng *(Chairman of the Audit Committee)*	3	100%
LIN Pengjiu *(Chairman of the Corporate Governance Committee)*	3	100%
YOU Xianghua *(Chairman of the Remuneration Committee)*	3	100%
JIN Tao *(Chairman of the Business Strategy Committee)*	3	100%
JI Wenyuan	3	100%

Notes:

a Mr. CHEN Zhaohui was not present at the first extraordinary general meeting in 2019 during his business trip away from Xiamen;

b Mr. FANG Yao and Mr. KE Dong both resigned as executive Directors of the Company on 9 July 2019, then were not present at the two general meetings held after their resignations;

c Mr. CHEN Zhiping was not present at the second extraordinary general meeting in 2019 during his business trip away from Xiamen;

d Ms. MIAO Luping was not present at the 2018 annual general meeting during her business trip away from Xiamen;

e Mr. FU Chengjing was not present at the 2018 annual general meeting during his business trip away from Xiamen;

f Mr. HUANG Zirong was not present at the 2018 annual general meeting during his business trip away from Xiamen.

Shareholders who individually or jointly hold 10% or more of the shares with voting right of the Company can request the Board or the Company Secretary to convene an extraordinary general meeting or a class general meeting in written form, elaborate the resolutions to be proposed at the meeting and explain the reasons for requesting and submit the relevant request(s) to the principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. When the Company convenes the annual general meeting, any shareholder individually or jointly holding 3% more (including 3%) of the shares with voting right of the Company has the right to propose an interim proposal no later than 10 days before the general meeting and to submit such proposal to the Board in written form. The Board shall notify other shareholders within two days after receiving the proposal and submit the interim proposal at the general meeting for review. In order to facilitate the exercise of shareholders' rights, all independent matters will be proposed as separate resolutions at the general meetings.

The Company has been actively establishing various communication channels. The shareholders can keep abreast of the Company's operating conditions, announcements and relevant news and information through the website of the Company, and also can make enquiries to the Board through the Company Secretary in Xiamen, the PRC or the alternate authorized representative at the Company's principal place of business in Hong Kong.

DIVIDEND POLICY

Details of the Company's dividend policy are set out in the Report of the Directors on page 81 of this annual report.

INVESTOR RELATIONSHIP

The Company will continue to promote and strengthen investor relationship and place great emphasis on communication with investors, and also promulgated and implemented the "Investor Relationship Management System" during the Reporting Period. The Company Secretary shall be responsible for the investor relationship of the Company and external information disclosure and communication work. During the Reporting Period, the Company has maintained close communication with media, analysts and fund managers through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, and the relevant executive Directors and senior management have used their best endeavor to answer the questions regarding the operations and financial performance of the Group, thereby enabling them to understand the latest developments of the Company and to make timely responses to any inquiries.

The Company has adopted and implemented a fair, transparent and timely disclosure policies and practices. Prior to the convening of individual meetings with investors or analysts, all price sensitive information or data should have been announced to the public in accordance with the disclosure policies and practices of the Company. The Company provides comprehensive information about the Group's business, business strategy and development in its annual and interim reports, and results announcements. The Company also timely publishes the latest announcements of the Group as well as detailed information about the Group and the development dynamics of its new businesses by electronic means through its website www.xipc.com.cn as required by the Stock Exchange, which enables shareholders and investors to grasp the Company's latest operating conditions and developments instantly. They can also make enquiries to the Company through its Investor Relationship webpage (contact details of which are set out in the Company's website).

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time, and organized to participate in related public welfare activities. The Company has issued and implemented the "Management Guidance of Charities and Public Welfare Activities", so as to better regulate charity and public welfare activities and promote the fulfillment of social responsibilities by the Company.

The Company is committed to the sustainable development of the environment and the society. In strict compliance with the "Law of Environmental Protection of the PRC", the "Law of the PRC on the Prevention and Control of Ambient Noise Pollution", the "Law of the PRC on the Prevention and Control of Water Pollution" and the "Law of the PRC on the Prevention and Control of Air Pollution", the Group actively carried out various works such as environmental protection and pollution prevention to ensure that each kind of pollutants is emitted strictly in accordance with the discharge standards and the requirements of laws and regulations, and is discharged in a proper manner. Also, in strict compliance with the applicable laws and regulations including the "Law of the PRC on Conserving Energy", the "Xiamen Energy Conservation Regulations", the "Water Law of the PRC" and the "Regulations on Urban Water Supply and Conservation of Xiamen City", the Group actively promotes the enhancement of the use efficiency of resources, reduces the uses of fuel, water and electricity and other resources. In recognition of the potential climate impact due to the development and operation of port business, the Company strives to enhance the environmental performance of the development and management of its port business through eco-friendly engineering design, equipment configuration and technological transformation as well as operational measures. The Company set corresponding indices each year to promote and enhance energy efficiency and reduce carbon emissions. In the year of 2019, the Group saved energy of 908.6 tonnes of coal equivalent throughout the year.

In accordance with the "Environmental, Social and Governance Reporting Guide" issued by the Stock Exchange, the Company has accordingly established the "Administrative System for Environmental, Social and Governance Report". During the Reporting Period, the Company has published the Group's 2018 environmental, social and governance report as required by the aforesaid guidelines, so as to promote the Company and its subsidiaries to actively fulfill their corporate social responsibility, coordinately consider the factors of all aspects, including human, society and environment, in the operation and management process, operate in accordance with the laws, be honest and trustworthy, resources saving and environmentally friendly, people-oriented with harmonious development, strive for the balanced development of economy, environment and society and promote the sustainable development of enterprises.

Details of the Company's environmental and social responsibility performance for the year of 2019 will be separately disclosed by the end of first half of 2020 pursuant to the Listing Rules.

While upholding the principles of transparency, integrity, fairness and openness, the Company will continue to keep smooth communication channels with other parties in various industries, devote to improve the level of investor relationship and enhance its corporate governance level with reference to its accumulated experience, changes in regulatory policies and shareholders' advice to strive for best practice standards, so as to support the sustainable and healthy development of the Group.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Articles of the Company during the Reporting Period.

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
27 March 2020

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. CAI Liqun, aged 51, is an executive Director and the Chairman of the Company. He graduated in 1991 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Master's degree in economics and is a Senior Economist. He was a planning coordinator of the planning office of Dongdu Port Services Company of Xiamen Harbour Bureau from July 1991 to October 1994 and was a deputy general manager of Xiamen Haijie Freight Company Limited from October 1994 to January 1998. He was the deputy director of the planning office of Dongdu Port Services Branch of Xiamen Port (Group) from January 1998 to October 1998. He was a deputy manager of Xiamen Port (Group) Domestic Shipping Agency Co., Ltd. from October 1998 to September 2001. He was a deputy general manager of Dongdu Port Services Branch of Xiamen Port (Group) from September 2001 to September 2004. He was a deputy general manager, then the general manager of Xiamen Port Development Co., Ltd. ("Xiamen Port Development") (a company listed on the Shenzhen Stock Exchange in the PRC) from September 2004 to November 2015. He also was the chairman of Xiamen Ocean Shipping Tally Co., Ltd. from March 2006 to December 2015. He also was the chairman of Xiamen Road and Bridge Building Materials Company from August 2006 to December 2015. He was the general manager of Dongdu Branch of Xiamen Port Development from January 2009 to January 2010. He has been a director of Xiamen Port Development since May 2009. He also was a director of Xiamen Port Trading Co., Ltd. from August 2010 to November 2015. He also was the chairman of Sanming Port Development Co., Ltd. from February 2011 to January 2016. He also was the chairman of Ji'an Port Development Co., Ltd. from June 2011 to December 2015. He also was an executive director of Xiamen Hailong Terminal Co., Ltd. from September 2012 to December 2015. He also was the chairman of Chaozhou Port Development Co., Ltd. from December 2012 to January 2016. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013. He has been a deputy general manager of Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") since September 2015. He has been an executive Director of the Company since 1 December 2015. He was a Vice Chairman of the Company from 1 December 2015 to 27 February 2017. He has been the Chairman of the Company since 28 February 2017. He has also been a director and the general manager of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018.

Mr. CHEN Zhaohui, aged 51, is an executive Director and the general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a Bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a Master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area of Xiamen port from July 1990 to August 1992. He was the leader of mechanical team, deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to

March 2006, during which he attended the job training of "Advanced Course of the Terminal Management" (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director, legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd. from May 2003 to October 2006. He also acted as an executive director and legal representative of Xiamen Free Trade Zone Port Services Power Co., Ltd. (formerly Xiamen Port Power Supply Service Co., Ltd.) from August 2012 to September 2018. He was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd. from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He was a deputy general manager of the Company from 27 March 2012 to 27 February 2017, during this period he assumed the responsibilities of the general manager from 1 December 2015 onwards. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He has also been the chairman of Xiamen Container Terminal Group Co., Ltd. since December 2016 and the chairman of the supervisory committee of Xiamen Port Development from January 2014 to 10 April 2017. He has been an executive Director of the Company since 1 December 2015. He has been the general manager of the Company since 28 February 2017. He was also a director of Xiamen Port Development from 10 April 2017 to 7 September 2018. He has also been the chairman of Xiamen Port Development since 7 September 2018. He has also been a director of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018.

Mr. LIN Fuguang, aged 56, is an executive Director and a deputy party secretary of the Company. He graduated with a Bachelor's degree and is an assistant political instructor. From September 1988 to July 1991, he studied economics management at the Xiamen Party School of the Communist Party of China; from August 2002 to December 2004, he studied administrative management at Bachelor's degree level at the Central Party Correspondence School; and from November 2008 to January 2010, he participated in the EDP senior management class at the School of Management of Xiamen University. From October 1981 to January 1984, he served at the film department of Division 53 of Team 32817 of the Fuzhou military district. From January 1984 to October 1985, he served at the film division of the politics department of Team 32866 of the Fuzhou military district. He retired from the army pending employment from October 1985 to January 1986. From January 1986 to November 1998, he was a cargo handler and officer of the container's office, the political instructor of the party branch and the deputy manager of the finance and labour department of the Xiamen Division of China Ocean Shipping Tally Company. From November 1998 to April 2005, he was the manager of Xiamen Ocean Shipping Tally Labour Services Company. From April 2005 to August 2009, he was the deputy manager of Xiamen Ocean Shipping Tally Co., Ltd., and he presided over the work during the period from February 2006 onwards. From August 2009 to August 2018, he was the manager of Xiamen Ocean Shipping Tally Co., Ltd. From November 2014 to August 2018, he was also the deputy secretary and secretary of the party central branch of Xiamen Ocean Shipping Tally Co., Ltd. From August 2018 to July 2019, he was the manager of the bulk cargo department of Xiamen Port

Development, the party secretary and manager of Xiamen Hailong Terminal Co., Ltd., and the manager and, from December 2018 onwards, an executive director of Xiamen Port Haixiang Terminal Co., Ltd. He has been a deputy party secretary of the Company since July 2019 and has been an executive Director of the Company since 28 February 2020.

Mr. CHEN Zhen, aged 46, is an executive Director, a deputy general manager and the chief financial officer of the Company. He graduated in 1995 from the Jimei University School of Finance and Economics majoring in foreign economic enterprise accounting. He graduated in 2004 from Xiamen University majoring in business administration with a Bachelor's degree in management. He graduated in 2007 from Xiamen University with a Master's degree in professional accounting, and is now a Senior Accountant and a top tier talent of management accounting in Fujian Province. From July 1995 to October 1995, he was an accountant of Xiamen Port Container Company. From October 1995 to October 1996, he was the financial director of International Freight Forwarding Company, a subsidiary of Xiamen Port Container Company. From October 1996 to June 2002, he was the assistant general manager and also the finance manager of Xiamen Jianhong Container Freight Co., Ltd., and during which he was also the manager of the container management department. From June 2002 to September 2009, he was the deputy manager, and then the manager of finance department of Xiamen Port Group Haitian Container Co., Ltd. From September 2009 to October 2013, he was the assistant manager, and then the deputy manager of the finance department of Xiamen Port Holding. From October 2013 to February 2017, he was the chief financial controller of Xiamen Port Development. From December 2013 to June 2017, he was also a supervisor of China Xiamen Foreign Shipping Agency Co., Ltd., Chaozhou Port Development Co., Ltd. and Xiamen Port YCH Logistics Co., Ltd.. From December 2013 to June 2017, he was also the chairman of the supervisory committee of Xiamen Port Transport Co., Ltd., Xiamen Port Logistics Co., Ltd. and Xiamen Port Shipping Co., Ltd.. From March 2014 to March 2017, he was also the chairman of the supervisory committee of Xiamen Port Trade Co., Ltd., and since December 2016 he has also been a director of Xiamen Container Terminal Group Co., Ltd. He has been the chief financial officer of the Company since 28 February 2017 and a deputy general manager of the Company since 17 May 2018. He has been an executive Director of the Company since 28 February 2020.

Mr. FANG Yao, aged 60, resigned from the positions of executive Director and vice Chairman of the Company on 9 July 2019. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was a technician of the Heping terminal operating area, deputy leader of the mechanical team, deputy head of the technical office and deputy head of the harbour engineering factory of the Dongdu operating area and deputy manager of the Shihushan terminal operating area from October 1982 to June 1998. He was a manager of the Gangwan Supervising Company of Xiamen Port (Group) Co., Ltd. from June 1998 to April 2001 and was the party secretary of Xiamen Haitian Company from April 2001 to October 2005. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He was appointed as the general manager of the Company from March 2005 to March 2012. He was an executive Director of the Company from 3 March 2005 to 9 July 2019 and the Vice Chairman of the Company from 27 August 2013 to 9 July 2019. He has been a consultant of the Company since 3 July 2019.

Mr. KE Dong, aged 60, resigned from the position of executive Director of the Company on 9 July 2019. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute). In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist and a Political Instructor. He joined Xiamen Harbour Bureau in 1982, where he was a business representative from 1982 to 1984, the deputy general manager of the Xiamen Ocean Shipping Agency from November 1984 to February 2001, and also the general manager of Xiamen Penavico International Freight from June 1999 to December 2000, then became the general manager of Xiamen Port Logistics from February 2001 to July 2004. He was a director and the general manager of Xiamen Port Development from August 2004 to April 2006, and he was the chairman of Xiamen Port Development from April 2006 to August 2018. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He was the chairman of Xiamen Ocean Shipping Agency Co., Ltd. from 20 April 2006 to 28 December 2018. He was also the chairman of Zhangzhou Gulei Port Development Co., Ltd. from 28 February 2012 to 6 November 2019. He was a non-executive Director of the Company from March 2005 to 28 February 2014. He was also a deputy general manager of the Company from August 2013 to August 2018. He was an executive Director of the Company from 28 February 2014 to 9 July 2019. He has been a consultant of the Company since August 2018.

Non-executive Directors

Mr. CHEN Zhiping, aged 54, is a non-executive Director of the Company. He graduated in July 1986 from the Jimei Finance and Economics School in Xiamen majoring in finance, and from May 1987 to October 1990 he studied finance at Xiamen University. From August 1997 to December 1999, he studied economics management at the Central Party Correspondence School, and from September 2007 to July 2010 he studied economics with a focus on economics management at the Central Party Correspondence Graduates School, and is currently an Accountant. From August 1986 to April 2003, he worked in the Finance Bureau of Xiamen Municipality as a cadre, an officer, and a deputy director and a researcher of the Administrative Department of Culture and Education. From April 2003 to November 2008, he was the deputy secretary of the Party Working Committee and the director of the Street Office, and then the secretary of the Party Working Committee and the director of the National People's Congress Liaison Office of Yundang Street of Xiamen City. From November 2008 to June 2016, he was the deputy director of the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government and a member of the Party Working Committee. He was a deputy party secretary and the general manager of Xiamen Port Holding from June 2016 to February 2018. He has been the party secretary and the

chairman of Xiamen Port Holding since January 2018. He has also been a non-executive Director of the Company since 28 February 2017. He has also been the chairman of Xiamen Free Trade Test Zone Electronic Port Co., Ltd. since May 2018. He has also been the chairman of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018.

Ms. MIAO Luping, aged 56, is a non-executive Director of the Company. She graduated from Xiamen University with a Master's degree in economics and is a Senior Economist. She worked in Fujian Branch of China Rural Development Trust and Investment Corporation from July 1992 to December 1993. From January 1994 to April 1999, she worked in Xiamen Road and Bridge Construction Investment Corporation as a deputy general manager of development and management department, a deputy director of the chief accountant's office and then the manager of fund settlement centre. She was a director and the general manager of Xiamen Road and Bridge Co., Ltd. from April 1999 to September 2004. She was the chief economist of Xiamen Road and Bridge Construction Investment Corporation from April 2004 to September 2004. She was a director of Xiamen Port Development from September 2004 to June 2015. She was a director and also the chief economist of Xiamen Port (Group) Co., Ltd. from September 2004 to March 2005. She was a director of Xiamen Port Holding from January 2005 to September 2015. She was a Director of the Company from March 2005 to June 2015. She was the chief economist of Xiamen Port Holding from July 2005 to February 2007. She was a deputy general manager and also the chief economist of Xiamen Port Holding from February 2007 to April 2015. She was also an executive director and the chairman of XiamenStraits Venture Capital Co., Ltd. (later renamed Xiamen Strait Investment Co., Ltd.) from June 2009 to July 2015. She was also the chairman of Xiamen Guarantee Investment Co., Ltd. From July 2009 to December 2012. She was also the chairman of Xiamen International Cruises Home Port Group Co., Ltd. from October 2013 to July 2015. She was a deputy director of the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government from April 2015 to January 2018. She has been a deputy party secretary and the general manager of Xiamen Port Holding since January 2018. She has also been a non-executive Director of the Company since 15 June 2018. She has also been a director of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018.

Mr. FU Chengjing, aged 58, is a non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a cadre, a section member, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a non-executive Director of the Company since March 2005. He has been a deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007. He also acts as the chairman of Xiamen Port Financial Holding Co., Ltd. since December 2015.

Mr. HUANG Zirong, aged 57, is a non-executive Director of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a Bachelor's degree in mechanics and obtained a Master's degree in business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. He was the deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd. Haitian Port Services Branch from April 2001 to March 2002. He was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012. Mr. Huang was an executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He was an executive Director and the general manager of the Company from 27 March 2012 to 1 December 2015. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He was also a director of Xiamen Port Development from January 2014 to 10 April 2017. He has been the chief engineer of Xiamen Port Holding since September 2015. He has been re-designated from an executive Director to a non-executive Director of the Company since 1 December 2015. He has also been a director of Xiamen Free Trade Test Zone Electronic Port Co., Ltd. since May 2018.

Ms. BAI Xueqing, aged 56, is a non-executive Director of the Company and a Senior Economist with a Bachelor's degree in mechanical manufacturing engineering, a Master's degree in currency banking and a Master's degree in business administration. From 1985 to 1990, she worked in the Jimei University as a teaching assistant and a lecturer. From 1990 to 1999, she worked in the Xiamen Branch of China People's Insurance Company as deputy chief, chief of the business department and a managerial assistant of the Kaiyuan Sub-branch. From 2001 to 2007, she worked in the Xiamen Branch of China People's Insurance Company as a deputy director of the statistics department, deputy general manager of the marketing management department, general manager of the marketing management department, director of the underwriting center and general manager of the property insurance and reinsurance department. From 2007 to 2016, she was the deputy general manager of the non-water insurance department of Taiping General Insurance Co., Ltd. (where she presided over the work), and the general manager of the Xiamen Branch. She has also been the vice chairman of the Xiamen Municipal Committee of the China Democratic National Construction Association since 2007. She has also been the deputy director of the People's Congress Standing Committee of the Siming District, Xiamen City, Fujian Province since 2011. She has been a deputy general manager of Xiamen Port Holding since 2016. She has also been a non-executive Director of the Company since February 2017. She has also been a director of Shia Ning Shipping Co., Ltd. Since December 2018.

Independent Non-executive Directors

Mr. LIU Feng, aged 54, is an independent non-executive Director of the Company. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. He acted as an independent director of Deppon Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) from December 2011 to August 2018. He has also acted as an independent director of Bank of Hangzhou Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) since September 2013. From December 2013 to December 2016, he acted as a director of LeKing Wellness Co., Ltd. (formerly known as Anhui Saunaking Co., Ltd. and Anhui Leking Wellness Co., Ltd., a company listed on the Shenzhen Stock Exchange in the PRC). From May 2015 to December 2018, he acted as an independent director of COSCO SHIPPING Specialized Carriers Co., Ltd. (formerly known as COSCO Shipping Co., Ltd., a company listed on the Shanghai Stock Exchange in the PRC). From May 2016 to May 2019, he acted as an independent director of Xiamen C&D Inc. (a company listed on the Shanghai Stock Exchange in the PRC). He has acted as an independent director of Shanghai Rongtai Health Technology Corporation Limited (a company listed on the Shanghai Stock Exchange in the PRC) since October 2019. Currently, he is a member of the Legal Aid and Rights Protection Committee of Chinese Institute of Certified Public Accountants. He has also acted as an independent non-executive Director of the Company since 28 February 2011.

Mr. LIN Pengjiu, aged 54, is an independent non-executive Director of the Company. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor's degree in engineering in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He was a full-time lawyer, partner and director of Liaoning Tytop Law Firm from the end of 2008 to the start of 2019, and was later re-designated to Ningbo in Zhejiang Province for practice. He is a full-time lawyer and senior partner in Zhejiang Tytop Law Firm, mainly practicing in Ningbo and Dalian. He also acts as an arbitrator of the China Maritime Arbitration Commission, Dalian Arbitration Commission and Wuhan Arbitration Commission, and vice president of Liaoning Province Maritime Law Institute, vice president of the Supervisory Commission of the Dalian Maritime University Maritime Law Education Fund, member of the Specialized Maritime Committee of All China Lawyers Association. He also acts as an independent non-executive Director of the Company since 28 December 2012.

Mr. YOU Xianghua, aged 55, is an independent non-executive Director of the Company. He graduated in July 1986 from the accounting department of Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance and Trade) with a Bachelor's degree in economics, in July 1991 from Xiamen University's accounting department with a Master's degree in economics, and in July 1999 from Xiamen University's accounting department with a Doctorate in management and accounting, and is currently a professor and senior accountant. From July 1986 to August 1988 he worked as a lecturer at the accounting department of Anhui Finance and Economics University. From August 1991 to March 1999 he worked as the finance manager of Xiamen Huicheng Construction Development Co., Ltd. From August 1999 to September 2001 he worked as the chief accountant of Xiamen State-owned Assets Investment Company and acted as a director to numerous companies including Xiamen City Commercial Bank. From September 2001 to August 2007, he worked as an associate professor at the accounting department of the School of Management of Xiamen University, and also was an independent director at Xiamen Road & Bridge Co., Ltd. and its subsequently renamed entity Xiamen Port Development, Xiamen King Long Motor Group Co., Ltd. (a company listed on the Shanghai Stock Exchange of the PRC), and Xiamen Speed Logistics Development Co., Ltd. From March 2006 to February 2007, he was sent by the PRC as a visiting scholar to the accounting department of the University of Houston in the United States of America. From September 2007 to April 2009, he was the deputy general manager of the Shenzhen Litong Investment Development Co., Ltd., an independent director of Xiamen Port Development, and the chairman of the supervisory committee of Mintaian Insurance Surveyors & Loss Adjusters Group Co., Ltd. From May 2009 to February 2019, he was the chairman of China Universal Finance Consulting (Xiamen) Co., Ltd.. From May 2009 to July 2018, he was the general manager of China Universal Finance Consulting (Xiamen) Co., Ltd. From March 2012 to May 2018, he was also an independent director of Holsin Engineering Consulting Group Co., Ltd. (a company listed on the Shanghai Stock Exchange of the PRC). From July 2016 to September 2019, he was also an independent director of Tianguang Zhongmao Co., Ltd. (formerly known as Tianguang Fire-fighting Co., Ltd., a company listed on the Shenzhen Stock Exchange of the PRC). Since January 2018, he is also an independent director of Xiamen Hongxin Electron-tech Co., Ltd. (a company listed on the Shenzhen Stock Exchange of the PRC). Since July 2018, he is the director of MPAcc Center and a professor in School of Economics and Management, Harbin Institute of Technology (Shenzhen). In addition, he is also the vice president of the Xiamen Cross-Strait Accounting Cooperation and Exchange Promotion Association, the vice president of the Xiamen Accounting Association and an executive director of the Xiamen Chief Accountants Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JIN Tao, aged 55, is an independent non-executive Director of the Company. He graduated in July 1988 from Kaifeng University and Henan University's Joint Undergraduate Geography Program with a Bachelor's degree in science from Henan University, studied at Henan University's geography department and majored in economic geography from September 1991 to August 1994 and graduated with a Master's degree in economics, and studied at Nankai University's Economics Research Institute and majored in political economics from September 2001 to July 2004 and graduated with a Doctorate in economics. From August 1988 to August 1991, he taught at No. 18 Middle School at Kaifeng, Henan. From September 1994 to August 2001 he worked in the Administrative Committee of Ningbo Economic and Technological Development Zone. From August 2004 to October 2008, he worked as an associate professor at the Economics Research Institute of Xiamen University. From November 2006 to March 2014, he also acted as the associate chief editor of Economic Issues in China, a core economics national journal in the PRC. Since November 2008, he worked as a professor and a doctorate tutor at Xiamen University. From October 2008 to February 2012, he worked as the deputy head of Xiamen University's Economics Research Institute. Since February 2012, he acted as the head of Xiamen University's Economics Research Institute. Since March 2014, he also acted as the joint chief editor of Economic Issues in China. Since December 2016 he acted as the vice president of the Fujian Province Securities Economics Research Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JI Wenyuan, aged 53, is an independent non-executive Director of the Company. He graduated in March 1993 from Shanghai Maritime University's (formerly known as Shanghai Shipping Institute) international shipping department majoring in shipping economics and business with a Master's degree in economics management. From April 1993 to October 1995, while he was in the shipping department of Shanghai Ocean Shipping Co. Ltd., he worked in the container shipping division, container management division, bulk shipping division and the chartering division, and then as the manager of the chartering division. From November 1995 to December 1996, he was the manager of the chartering branch office of the chartering division of Beijing China Ocean Shipping Group Co., Ltd. and COSCO Bulk Carrier Co., Ltd.. From January 1997 to December 1997, he was the deputy department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd., and from January 1998 to April 1998 he was the deputy department manager of the Third Shipping Department of COSCO Bulk Carrier Co., Ltd.. From May 1998 to September 1998, he was the department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd.. From October 1998 to April 2000, he acted as the Hong Kong and Macau region chief representative of COSCO Bulk Carrier Co., Ltd., and as the deputy general manager of Fansco Shipping (Hong Kong) Co., Ltd.. From May 2000 to September 2002, he was the general manager and director of Jinjiang Shipping (Hong Kong) Corporation Limited. From September 2002 to December 2005, he was the senior vice president of the Parakou Group, the fourth largest shipping corporation in Hong Kong. In January 2006, he established Seamaster Chartering Limited in Hong Kong and since then acts at its general manager. In October 2010, he established Shanghai Seamaster Shipbroking Company Limited and since then acts as the chairman of the board of directors. In addition, he is also a visiting professor at Shanghai Maritime University, an invited shipping expert of the Shanghai Municipal Transport and Port Authority, an executive director of the Shanghai Shipping Broker Club, a director of the Shanghai Table Tennis Career Development Foundation, the special business advisor to the president of the International Table Tennis Federation, a director of International Maritime Organization-Maritime Technology Cooperation Centre for Asia and a founding member of Shanghai Charity Foundation-Wealove Foundation. He also acts as an independent non-executive Director of the Company since 26 February 2016.

SUPERVISORS

Mr. DU Hongjia, aged 49, is a shareholders representative Supervisor and the Chairman of the Supervisory Committee of the Company. In July 1993, he graduated from Xiamen University (majored in Journalism) with a Bachelor's degree in law. In September 2003, he graduated from the Edinburgh Business School of Heriot-Watt University in the United Kingdom with a Master's degree in Business Administration. He is now a Senior Political Engineer. From July 1993 to July 1998, he was a staff member of the Political Department of the Xiamen Harbour Bureau and the secretary of the General Branch of the Communist Youth League thereof (He served temporarily at Xiamen Port Group Shihushan Terminal Co., Ltd between July 1993 and January 1994). From July 1998 to November 2013, he worked as a deputy editor and editor-in chief at Xiamen Port News. From July 1998 to July 2001, he worked as a special researcher at the Ideological and Political Work Research Association of Xiamen City. From July 2001 to August 2009, he worked as the deputy secretary of the Committee of the Communist Youth League of Xiamen Port Holding and as the deputy supervisor of the office of the Party Committee of Xiamen Port Holding Group from July 2005 to June 2009. From July 2005 to June 2016, he worked as the deputy secretary and the secretary of the Party General Branch of Xiamen Port Holding. He worked as the deputy supervisor of the office of Xiamen Port Holding from April 2009 to April 2016 and he was a member of the 15th and the 16th Sessions of the Communist Youth League in Xiamen City from August 2009 to November 2013. From October 2013 to June 2016, he was appointed as the supervisor of the Office of the Safety Production Committee of Xiamen Port Holding and the supervisor of the Social Security Integrated Governance Office. He worked as a deputy secretary of the Party General Branch and a member of the Disciplinary Inspection Committee of Xiamen Strait Investment Co., Ltd. from April 2016 to May 2018 and worked as a supervisor of the Disciplinary Inspection Office of Xiamen Port Holding from March 2017 to September 2018. He was appointed as the deputy secretary of the Disciplinary Inspection Committee of Xiamen Port Holding from April 2017 to September 2018. He has been a member of the Party Committee and the secretary of the Disciplinary Inspection Committee of Xiamen Port Holding since September 2018. He has been a supervisor and the Chairman of the Supervisor Committee of the Company since 23 August 2019.

Mr. ZHANG Guixian, aged 53, is a shareholders representative Supervisor of the Company. He graduated from Hohai University with a Bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a Master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit and risk control department of Xiamen Port Holding since August 2009, currently being the manager of the audit and risk control department. He has also been a Supervisor of the Company since 28 February 2014. He has also been the chairman of the supervisory committee of Xiamen Port Financial Holding Co., Ltd. since December 2015. He has also been the deputy chairman of

the supervisory committee of Xiamen International Cruises Home Port Group Co., Ltd. since July 2017. He has also been a supervisor of Fubon Property Insurance Co., Ltd. since January 2018. He has also been a director of Xiamen Port Development since November 2018.

Mr. LIAO Guosheng, aged 57, is a staff representative Supervisor of the Company. He graduated from the Central Party School in 2002 and obtained a part-time bachelor's degree in economics management and is a senior economist. He served as a tallying officer, business representative, deputy office director, head of business division, deputy general manager and secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He was the general manager and secretary of Xiamen Haicang Port Co., Ltd., and a deputy general manager and Chinese representative of Xiamen International Container Terminal Co., Ltd. from May 2001 to March 2006. From April 2006 to April 2009, he was a director and the general manager of Xiamen Port Development, and concurrently served as the chairman of Xiamen Port Logistics Co., Ltd., Xiamen Port Shipping Co., Ltd. and Xiamen Port Transportation Co., Ltd. From May 2009 to December 2013, he was the party secretary of Xiamen Port Group Haitian Container Co., Ltd. He has been the party secretary and a deputy general manager of Xiamen Container Terminal Group Co., Ltd. since 13 December 2013 and has assumed the responsibilities of the general manager since 7 February 2020. He was the chairman of the workers union of Xiamen Container Terminal Group Co., Ltd. from 13 December 2013 to 30 October 2019. He has also been a director of Xiamen Songyu Container Terminal Co., Ltd., a director of Xiamen International Container Terminal Co., Ltd. and a director of Xiamen Haicang International Container Terminal Co., Ltd. since 13 December 2013, and also been the chairman of the above-mentioned three companies since 7 February 2020. He has been a staff representative supervisor of the Company since 28 February 2014, and has also been the secretary of the Commission for Discipline Inspection of the Company since 20 April 2016. He has also been a director of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. since 9 March 2017 and also been the chairman since 7 February 2020. He has also been the chairman of the supervisory committee of Xiamen Port Development since 10 April 2017. He has also been an executive director of Xiamen Hairun Container Terminal Co., Ltd. and a director of Trend Wood Investments Limited since 7 February 2020.

Mr. LIU Xiaolong, aged 49, is a staff representative Supervisor of the Company. He graduated from Wuhan Transportation University with a Bachelor's degree in marine engineering in July 1994 and is an economist. From September 1994 to April 1999, he was the work instructor and chief operation officer of planning and business of the production management division of Xiamen Port Shihushan Terminal Company. From April 1999 to August 2009, he was an officer for discipline inspection of Xiamen Port Holding. From August 2009 to December 2011, he was the assistant of the director of the discipline inspection supervisory office of Xiamen Port Holding. From December 2011 to March 2017, he was the deputy director of the discipline inspection supervisory office of Xiamen Port Holding, and he presided over the work during the period from November 2013 onwards. He was also the deputy manager of the audit department of Xiamen Port Holding from February 2012 to November 2013. He has been a member of the Party Committee of Xiamen Port

Development since December 2016. He has been the secretary of the Commission for Discipline Inspection of Xiamen Port Development since January 2017. He has been a staff representative Supervisor of the Company since 13 December 2019.

Mr. TANG Jinmu, aged 54, is an independent Supervisor of the Company and a senior accountant and a member of the 12th session of Xiamen Committee of Chinese People's Political Consultative Conference. He graduated in 1988 from the accountancy department of Xiamen University with a Bachelor's degree. He obtained a Master's degree in business administration from the Open University of Hong Kong in December 2002. He graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance in July 2011. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He has also been acting as an independent director of Tsann Kuen (China) Enterprise Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since May 2014. He also acted as an independent director of Xingye Leather Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange of the PRC) from January 2015 to December 2019. He also acts as an independent director of Xiamen Guangpu Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange of the PRC) since February 2016, and an independent director of Xiamen Red Phase Instruments Inc. (a company listed on the Shenzhen Stock Exchange of the PRC) since November 2017. He has also been an independent Supervisor of the Company since March 2005.

Mr. XIAO Zuoping, aged 45, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to a professor of Southwest Jiaotong University in July 2006, and currently being a professor and a supervisor of doctoral candidates of accountancy of the School of Economics & Management, Southwest Jiaotong University. He has been also acting as an independent Supervisor of the Company since 28 February 2011. He also acted as an independent director of Guizhou Bijie Rural Commercial Bank Co., Ltd. from February 2015 to February 2018. He was an independent director of Dalian East New Energy Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2015 to July 2017. He has also been an independent director of Sichuan Sundaily Farm Ecological Food Co., Ltd. since December 2015, an independent director of Sichuan Anzhou Rural Commercial Bank Co., Ltd. since January 2017 and an independent director of Chengdu Lingwo Network Technology Co., Ltd. from September 2017 to July 2019. He is the excellent talent of Ministry of Education in the new century, the national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants ("CPA"), a standing director of the Financial Cost Branch of China Accounting Society, a director of the Council of "China Accounting Review", a member of the Academics Committee of "Communication of Finance and Accounting" and a specially requested member of the Editorial Committee of the "Securities Market Herald". He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the Doctoral Fund of the Ministry of Education and an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education.

Mr. WU Weijian, aged 61, resigned from the position of staff representative Supervisor of the Company on 13 December 2019. He graduated from the distance learning school of the Central Party School and obtained a college diploma in party and politics in 1996 and is a Senior Political Instructor. He was the sub-team leader of the port loading and unloading team of Xiamen Harbour Bureau from December 1976 to March 1978. He then served in a division of the People's Liberation Army of the PRC as soldier, squad leader and acting platoon leader from March 1978 to October 1981. From October 1981 to June 1983, he was the dispatch head of the port loading and unloading team of Xiamen Harbour Bureau. From July 1983 to December 1992, he was the deputy secretary and then the secretary of the party branch of Haibin Loading and Unloading Company of Xiamen Harbour Bureau. He was then the deputy head and the person-in-charge of the party branch of the preparatory office of Shihushan Terminal of Xiamen Harbour Bureau from December 1992 to October 1994. Then from December 1994 to April 2001, he was the secretary of the party branch of Xiamen Port Group, Shihushan Terminal Branch. From April 2001 to September 2009, he has been the party secretary of Xiamen Port Group, Dongdu Port Branch (which was renamed as Xiamen Port Development Dongdu Branch, in December 2004). He was a director of Xiamen Lurong Water-Railway Joint Transportation Co., Ltd from September 2001 to September 2011, and was a supervisor of Xiamen Port Development from July 2004 to 13 December 2019. He was the deputy party secretary of Xiamen Port Development from October 2009 to October 2017. He was also the secretary of the disciplinary committee of C.P.C. of Xiamen Port Development from October 2009 to January 2017. From 2 July 2010 to September 2013, he has also been acting as an executive director and the legal representative of Xiamen Port Group Labour Services Co., Ltd and the legal representative of Xiamen Port Group Hailongchang International Freight Co., Ltd. He was also a supervisor of Zhangzhou Gulei Port Development Co., Ltd. from 12 April 2012 to 5 June 2013. He was also a director of Zhangzhou Gulei Port Development Co., Ltd. from 5 June 2013 to 6 November 2019, and the chairman of the supervisory committee of Zhangzhou Gulei Shugang Highway Construction Co., Ltd. from 31 July 2012 to 6 November 2019. He was a staff representative Supervisor of the Company from 23 October 2008 to 13 December 2019. From October 2013 to October 2017 he was also the general manager of the bulk/general cargo unit of Xiamen Port Development, and from November 2017 to 24 September 2019, he was a consultant of Xiamen Port Development.

COMPANY SECRETARIES

Mr. CAI Changzhen, aged 48, is the Company Secretary of the Company. He graduated from the Faculty of Law of Xiamen University with a bachelor's degree in law in July 1995. From September 1993 to July 1995, he studied in the evening session of Xiamen University and graduated with a second major in business administration. From October 1998 to May 2002, he studied in the graduate training course offered by the Faculty of Business Administration of the Graduate School of Xiamen University and graduated with a master's degree in management. In July 1997 he was admitted as a lawyer by the Chinese Ministry of Justice and is currently an economist. From July 1995 to June 1998, he was the secretary of the Office of Xiamen Harbour Bureau, and from June 1998 to March 2004 he was the secretary of the Office of Xiamen Port (Group) Co., Ltd. From March 2004 to September 2006, he was the secretary of the Board Secretariat and the Affairs Department of the Company, during which he participated in the Company's asset reorganization and listing projects. From September 2006 to November 2014, he was the deputy manager of the Affairs Department of the Company and primarily assisted the Board Secretary. He has been a deputy officer of the Board Secretariat and a deputy officer of the Office of the Company since November 2014. He was a joint Company Secretary of the Company from 18 April 2016 to 17 April 2019 and has been the sole Company Secretary of the Company since 18 April 2019. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd. since December 2016.

Ms. LAM Yuk Ling, resigned from the position of joint Company Secretary of the Company on 18 April 2019. She is a manager of the Listing Services Department of TMF Hong Kong Limited (a company providing corporate secretarial services in Hong Kong). She has over 10 years of experience in company secretarial field. And she is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She was a joint Company Secretary of the Company from 22 October 2018 to 17 April 2019.

SENIOR MANAGEMENT

CHEN Zhaohui, General Manager

Mr. CHEN Zhaohui is one of the executive Directors of the Company. For further details regarding Mr. CHEN Zhaohui, please refer to the section headed "Executive Directors" above.

CHEN Zhen, Deputy General Manager and Chief Financial Officer

Mr. CHEN Zhen is one of the executive Directors of the Company. For further details regarding Mr. CHEN Zhen, please refer to the section headed "Executive Directors" above.

Wu Yansong, Deputy General Manager

Mr. Wu Yansong, aged 49, is a deputy general manager of the Company. He graduated from Shanghai Maritime University (formerly Shanghai Shipping Institute) in July 1992 with a bachelor degree in engineering and is currently a senior economist. From August 1992 to October 1993, he served as a technician of the mechanical team of Xiamen Port Heping Loading and Unloading Company. From October 1993 to November 1994, he served as a technician of the mechanical team of Xiamen Harbour Bureau Haitian Loading and Unloading Company. From November 1994 to June 1996, he served as a deputy manager of Haitian Labor Services Company of Xiamen Harbour Bureau. From June 1996 to August 1997, he served as a deputy chief of the warehouse section of Xiamen Port Haitian Port Company. From August 1997 to April 1999, he served as a deputy manager of the Freight Company of Xiamen Haitian Port Branch. From April 1999 to September 2001, he was the captain of the second mechanical team of Xiamen Haitian Port Branch. From September 2001 to January 2008, he served as the manager of operation section, an assistant general manager and then a deputy general manager of Xiamen Port Group Haitian Container Co., Ltd.. From January 2008 to August 2009, he served as a deputy party secretary and the general manager of Xiamen Port Logistics Co., Ltd.. From August 2009 to February 2011, he served as the party secretary and the standing deputy general manager of Xiamen Port Development Co., Ltd. Dongdu Branch. From February 2011 to August 2013, he served as a deputy party secretary and the general manager of Xiamen Port Development Co., Ltd. Dongdu Branch. From August 2013 to March 2017, he served as a deputy general manager of Xiamen Port Development Co., Ltd., during this period he assumed the responsibilities of the general manager from December 2015 onwards. From July 2013 to March 2017, he also served as the general manager of China Xiamen Ocean Shipping Agency Co., Ltd.. He has been a director of Xiamen Port Development Co., Ltd. and also been the chairman of Chaozhou Port Development Co., Ltd. since November 2015. He has also been a director of Xiamen Port Trading Co., Ltd. from November 2015 to April 2020, during this period he has also been the chairman since November 2018. He has also been a director of Xiamen Port Group Shihushan Terminal Co., Ltd. since October 2016. He has also been a director of Xiamen Container Terminals Group Co., Ltd. since December 2016. From December 2016 to May 2018, he served as a deputy party secretary of the Company. From December 2016 to March 2020, he served as a deputy party secretary of Xiamen Port Development Co., Ltd.. From March 2017 to March 2020, he was the general manager of Xiamen Port Development Co., Ltd.. From October 2017 to July 2019, he also served as the chairman of Shishi Huajin Terminal Storage and Transportation Co., Ltd.. He has also been the chairman of China Xiamen Ocean Shipping Agency Co., Ltd. since November 2018. He has also been a director of Zhangzhou Gulei Port Development Co., Ltd. since August 2019. He has been a deputy party secretary and the general manager of Xiamen Container Terminal Group Co., Ltd. since March 2020. He has been a deputy general manager of the Company since March 2020.

XU Xubo, Deputy General Manager (resigned)

Mr. XU Xubo, aged 50, resigned from the position of deputy general manager of the Company on 19 January 2020. He graduated in July 1993 from Xiamen University with a Bachelor's degree in engineering. He graduated in June 2006 from the Management School of Xiamen University with a Master's degree in Business Administration, and is now a Senior Economist. From July 1993 to April 1995, he was a warehouse managing worker of the warehousing and storage section of Xiamen Harbour Bureau Heping Loading and Unloading Company, and from May 1995 to April 1998 he was a computer center technician of Xiamen Port Haitian Loading and Unloading Company. From April 1998 to September 2001, he was the deputy chief and then the chief of the warehousing and storage section of Xiamen Port Haitian Loading and Unloading Company. From September 2001 to February 2006 he was the assistant general manager of Xiamen Port Group Haitian Container Co., Ltd., and from February 2003 to February 2006 he was also the manager of the commerce department of Xiamen Port Group Haitian Container Co., Ltd. From February 2006 to December 2013, he was a deputy general manager, executive deputy general manager, general manager and the deputy party secretary of Xiamen Port Group Haitian Container Co., Ltd. in succession. From 13 December 2013 to 7 February 2020, he was the general manager, a deputy party secretary and a director of Xiamen Container Terminal Group Co., Ltd.. From 13 December 2013 to 7 February 2020, he was also the chairman of Xiamen Songyu Container Terminal Co., Ltd., the chairman of Xiamen International Container Terminal Co., Ltd. and the chairman of Xiamen Haicang International Container Terminal Co., Ltd. From 24 January 2014 to 7 February 2020, he was also the chairman of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. From 13 March 2014 to7 February 2020, he was also a director of Trend Wood Investments Limited. From 19 April 2016 to 7 February 2020, he was also an executive director of Xiamen Hairun Container Terminal Co., Ltd. He was also the general manager of Xiamen Hairun Container Terminal Co., Ltd. from 19 April 2016 to 9 August 2017. He was a deputy general manager of the Company from 28 February 2017 to 19 January 2020. He was also a director of Xiamen Port Develop from 10 April 2017 to 19 January 2020 and also a director of Fujian Silk Road Shipping Operation Co., Ltd. from 19 December 2018 to 7 February 2020.

Report of the Directors

The Board is pleased to present the report of the Directors and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) comprehensive port logistic services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long term investment business. The principal activities of our subsidiaries are set out in Note 37 to the financial statements.

Details of the Group's operating results for the Year by business segments are set out in Note 26 to the financial statements.

No analysis by geographical segment is presented since the Core Businesses are mainly operated in Xiamen City, the PRC; and most of the Group's activities are conducted in the PRC during the year of 2019.

BUSINESS REVIEW

Review of the business of the Group during the Year and discussion on the Group's future business development, as well as introduction of the possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 6 to 12 and the Management's Discussion and Analysis on pages 13 to 33 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in Note 39 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group's Financial Highlights on pages 4 to 5 of this annual report. In addition, discussion on the Group's corporate social responsibility, environmental policies, investor's relationships and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 34 to 63 and the Report of the Directors on pages 80 to 93 respectively.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 106.

FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of RMB2.5 cents per share (tax inclusive), aggregating RMB68,155,000 (tax inclusive) to all shareholders whose names appear on the Register of Members on 24 June 2020, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 12 June 2020.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in Note 25 and Note 38 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB1,442,500 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2019:

Class of shares	Number of shares	Proportion (%)
Domestic shares	1,739,500,000	63.81
H shares	986,700,000	36.19
Total	2,726,200,000	100.00

There was no movement in the share capital of the Company during the Year.

RESERVES AVAILABLE FOR DISTRIBUTION AND DIVIDEND POLICY

Pursuant to the PRC Company Law, the Company may distribute dividend only out of the annual profit available for distribution, being the balance of the profit after tax of the Company after deducting (i) the accumulated losses of prior years, and (ii) allocations to the statutory surplus reserve and, if any, the discretionary surplus reserve (in order of their priorities). Pursuant to the Articles, for the purpose of determining the profit available for distribution, the profit after tax of the Company shall be the lower of two of the profit after tax calculated in accordance with (i) the PRC Accounting Standards and Rules, and (ii) the generally accepted accounting principles in Hong Kong. The amount of dividend to be distributed, if any, to the shareholders of the Company will be depended upon the Group's earnings and financial conditions, operating requirements and capital requirements, as well as subject to the approval of the shareholders of the Company.

For the year ended 31 December 2019, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB200,758,000. Such amount was prepared under the Rules and the generally accepted accounting principles in Hong Kong.

PRE-EMPTION RIGHTS

Pursuant to the Articles and the PRC laws, there is no provision for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SHARE OPTION SCHEME

The Company did not implement any share option scheme.

FINANCIAL HIGHLIGHTS

Highlights of the Group's results and assets and liabilities are set out on pages 4 and 5.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Year, the Group did not purchase, sell or redeem any of the securities of the Company.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES

On 31 May 2019, the Company entered into an equity subscription agreement with XPD, a non-wholly owned subsidiary of the Company, pursuant to which the Company has subscribed for a total of 94,191,522 shares non-publicly issued by XPD at a total consideration of RMB599,999,995.14 (i.e. RMB6.37 per subscription share). The new issue was completed on 13 January 2020 and the subscription shares were listed on 14 January 2020. Subsequent to the completion, the shares held by the Company in XPD have been increased from 292,716,000 shares to 386,907,522 shares and the Company's equity interest in XPD has been increased from 55.13% to 61.89%. For details, please refer to the announcements of the Company dated 31 May 2019 and 10 January 2020, respectively.

On 28 November 2019, XPD entered into an equity transfer agreement with China Ocean Shipping Tally Co., Ltd. (中國外輪理貨有限公司) ("China Tally"), pursuant to which XPD has disposed of its 17% equity interest in Xiamen Ocean Shipping Tally Co., Ltd. (廈門外輪理貨有限公司) ("Xiamen Tally") to China Tally for a consideration of RMB35,982,100. The registration changing procedures of the equity transfer was completed on 11 December 2019. Subsequent to the completion, the equity interest in Xiamen Tally is held by XPD as to 69% and China Tally as to 31%, and it remains as a non-wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 28 November 2019.

Save as the aforementioned, there was no other major acquisition or disposal of the Group's subsidiaries, jointly controlled entities, associated companies and joint ventures during the Year.

DIRECTORS AND SUPERVISORS

At the beginning of the Reporting Period, the fifth session of the Board comprised fourteen Directors, including four executive Directors, namely Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong, five non-executive Directors, namely Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

On 9 July 2019, Mr. FANG Yao resigned from the positions of executive Director and vice Chairman of the Board of the Company due to his change of employment. On the same date, Mr. KE Dong also resigned from the position of executive Director of the Company due to his change of employment.

Accordingly, as at 31 December 2019, the fifth session of the Board comprised twelve members, including two executive Directors, namely Mr. CAI Liqun (Chairman) and Mr. CHEN Zhaohui, five non-executive Directors, namely Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

At the beginning of the Reporting Period, the fifth session of the Supervisory Committee of the Company comprised five Supervisors, including one shareholders representative Supervisor, namely Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

On 23 August 2019, a resolution was passed at the First Extraordinary General Meeting in 2019 to appoint Mr. DU Hongjia as a Supervisor of the fifth session of the Supervisory Committee of the Company. On the same date, the Company convened the ninth meeting of the fifth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the fifth session of the Supervisory Committee of the Company.

On 13 December 2019, Mr. WU Weijian resigned from the position of staff representative supervisor of the fifth session of the Supervisory Committee of the Company due to his reaching of the statutory retirement age. On the same date, as approved at the staff representative meeting of the Company, Mr. LIU Xiaolong was elected and appointed as a staff representative Supervisor of the fifth session of the Supervisory Committee of the Company with immediate effect.

Accordingly, as at 31 December 2019, the fifth session of the Supervisory Committee of the Company comprised six Supervisors, including two shareholders representative Supervisors, namely Mr. DU Hongjia (Chairman of the Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

According to the Articles, all Directors and Supervisors are appointed for a term of three years and subject to re-election upon the expiry of their terms. There is no requirement of retirement by rotation in the Articles.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors had already entered into a service contract with the Company respectively for a term of not more than three years effected until the expiry of the term of the fifth session of the Board or the Supervisory Committee.

The Company did not enter into any service contract with any Director or Supervisor which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the Reporting Period are set out in Note 28 to the financial statements.

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year ranges from approximately RMB616,700 to RMB957,000 each.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than their service contracts, none of the Directors or Supervisors or their connected entities had any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, at the end of the Year or at any time during the Year.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the current and resigned Directors, Supervisors and senior management of the Company as at the date of this annual report are set out on pages 64 to 79.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Year, the Company, any of its subsidiaries, its holding company or any of its fellow subsidiaries did not grant any right and was not a party to any arrangement which would enable any Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, nor was any of such rights exercised.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2019, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director, Supervisor or chief executive of the Company is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year, none of the Directors or Supervisors had any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Company or the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, to the best of the knowledge of the Directors, Supervisors or chief executives of the Company, the following persons (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which should be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Class of Shares	Number of Shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic shares (Long Position)	1,721,200,000	Beneficial owner	98.95%	63.14%
	H shares (Long Position)	138,200,000 (note)	Interest of controlled corporation	14.01%	5.07%
Xiamen Haixia Investment Co., Ltd.	H shares (Long Position)	138,200,000 (note)	Interest of controlled corporation	14.01%	5.07%
Shia Ning Shipping Co., Ltd.	H shares (Long Position)	138,200,000 (note)	Beneficial owner	14.01%	5.07%

Note: The 138,200,000 shares referred to the same batch of shares as Xiamen Haixia Investment Co., Ltd. and Shia Ning Shipping Co., Ltd. were all directly or indirectly owned by Xiamen Port Holding and therefore by virtue of the SFO, Xiamen Port Holding was deemed to be interested in these shares.

Save as disclosed above, as at 31 December 2019, to the best of the knowledge of the Directors, Supervisors or chief executives of the Company, no other persons (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO. In addition, no short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2019.

MANAGEMENT CONTRACTS

During the Year, no contract in respect of the management or administration of the entire business or any significant business of the Group was entered into or maintained by the Company.

EQUITY-LINKED AGREEMENTS

During the Year, the Company did not enter into any equity-linked agreements.

PERMITTED INDEMNITY PROVISION

At no time during the Year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or not) or an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management of the Group.

DEBENTURES ISSUED

Saved as disclosed in this annual report, the Company did not issue any other debentures during the Year.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company has maintained a close and continuous relationship with stakeholders, including employees, customers and suppliers. The Company is devoted to balancing the opinions and interests of the stakeholders through constructive communication, so as to set the long-term development direction for the Company and the regions where our business operates.

Employees

As at 31 December 2019, the Group had a total of 7,369 employees. For details of employees' remuneration, please refer to the Management Discussion and Analysis on page 27 of this annual report.

The Group strictly protects the lawful rights and interests of its employees according to law, attaches great importance to the optimization of its personnel structure and the occupational health and individual development of its employees, and provides differentiated professional training to enhance their professional quality, work ability and team spirit, thereby benefits business development of the Group. The management proactively communicates with the employees to foster the harmonious relationship between the Company and the employees.

Customers

The Group is committed to creating values for our customers by providing quality services to meet their needs and strives to grow together with our customers. Based on full investigation and analysis of industry background, scale of operation and credibility of the customers, the Group has established long-term good cooperation relationships with our customers, made efforts to offer our customers a refined service, and followed normal commercial terms to settle according to contract payment conditions. During the Year, total sales to the five largest customers of the Group accounted for approximately 25.7% of the Group's total sales, of which, the sales from the largest customer accounted for approximately 10.8% of the total sales of the Group.

Suppliers

The Group attaches great importance to supplier procurement management. Based on full investigation and analysis of operation qualification, industry background, scale of production, product quality and business integrity of the suppliers, the Group conducts supplier assessment to rate their performance on a regular or irregular basis to ensure the normal operation of the port while reducing corporate costs and decreasing potential supplier risk. Through sincere cooperation, the Group has set up long-term cooperation relationships with our major suppliers. During the Year, total purchases from the five largest suppliers of the Group accounted for approximately 16.0% of the Group's total purchases.

To the best knowledge of the Directors, the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the total number of issued shares of the Company) did not have any beneficial interest in any of the Group's five largest suppliers during the Year.

CONNECTED TRANSACTIONS

In 2019, the Company and/or its related subsidiaries entered into the following one-off connected transaction with connected party:

On 28 November 2019, XPD entered into an equity transfer agreement with China Tally (a connected person at the subsidiary level), pursuant to which XPD has disposed of its 17% equity interest in Xiamen Tally to China Tally for a consideration of RMB35,982,100. The above transaction has been completed pursuant to the said agreement. Details of the above transaction were set out in the aforementioned section of "Major Acquisitions and Disposals of Subsidiary, Associated Companies and Joint Ventures".

The table below sets out a summary of the above-mentioned one-off connected transaction:

Transaction particulars	Connected person	Date of signing the agreement	Amount
XPD disposed of its 17% equity interest in Xiamen Tally to China Tally	China Tally	28 November 2019	RMB35,982,100

In addition, in 2019, due to its operation demands, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its subsidiaries (collectively known as the "Xiamen Port Holding Group") and certain other connected parties outside the Group. The table below sets out a summary of the above-mentioned non-exempt continuing connected transactions:

Services	Connected Persons	2019 annual cap (RMB)	Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group	110,000,000	95,346,000
		(Being rent payable by the Group)	
		5,500,000	623,000
		(Being rent receivable by the Group)	
B. Logistics property services	Xiamen Port Holding Group	22,000,000	15,642,000
C. Construction project management	Xiamen Port Holding Group	10,000,000	8,511,000
D. Port facilities engineering and construction	Xiamen Port Holding Group	145,000,000	77,690,000
E. Port-related labour services	Xiamen Port Holding Group	132,000,000	114,357,000
F. Electrical equipment maintenance	Xiamen Port Holding Group	18,000,000	6,458,000
G. Port services	COSCO Shipping Container Lines Co., Ltd. ①	182,560,000	168,561,000
H. Power supply and maintenance	Xiamen Port Holding Group	32,000,000	15,358,000
I. Port services	Xiamen Port Holding Group	53,000,000	41,294,000
J. Information services	Xiamen Port Holding Group	30,000,000	12,429,000
K. Port services	Maersk (China) Shipping Co., Ltd. ①	330,000,000	262,690,000
L. Purchase of oil products	Xiamen Port Holding Group	68,000,000	38,460,000
M. Concrete sale and purchase	Xiamen Port Holding Group	35,000,000	3,972,000
N. Mutual trade	Xiamen Xiangyu Logistics Group Co., Ltd. ②	120,000,000	33,089,000
		(Being fee receivable by the Group)	
		300,000,000	55,286,000
		(Being fee payable by the Group)	
O. Mutual trade	Xiamen ITG Holding Co., Ltd. ③	120,000,000	60,371,000
		(Being fee receivable by the Group)	
		300,000,000	163,228,000
		(Being fee payable by the Group)	
P. Port transportation service	Xiamen Port Holding Group ④	25,000,000	–

① Each is a connected person at the subsidiary level.

② The annual cap for the connected transaction of mutual trade between the Group and Xiamen Xiangyu Logistics Group Co., Ltd. (a connected person at the subsidiary level) has been raised from RMB120,000,000 to RMB300,000,000 (being fee payable by the Group) during the year of 2019.

③ The annual cap for the connected transaction of mutual trade between the Group and Xiamen ITG Holding Co., Ltd. (a connected person at the subsidiary level) has been raised from RMB120,000,000 to RMB300,000,000 (being fee payable by the Group) during the year of 2019.

④ For the year ended 31 December 2019, the Group did not conduct any such transactions.

The Company has complied with the requirements of the waivers granted by the Stock Exchange or the disclosure requirements under Chapter 14A to the Listing Rules.

All the independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that those transactions had been entered into:

(1) in the ordinary and usual course of business of the Company and the Group (where appropriate);

(2) either on normal commercial terms or better; and

(3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's international auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's international auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 to the Listing Rules, and reported that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the international auditor's letter has been submitted by the Company to the Stock Exchange.

Details of significant related party transactions undertaken in the ordinary and usual course of business are set out in Note 36 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A to the Listing Rules have been complied with.

PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Group has implemented corporate annuity schemes combined with its actual situation. According to the statistics, the aggregate corporate contribution of the Group to the corporate annuity for the Year was approximately RMB39,191,300, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB731,200.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2019, the forfeited contribution available for the use of the Group amounted to RMB2,446,491.0. The Group had not utilised the forfeited contribution during the Year.

The details of the Group's pension scheme are set out to Note 28 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are set out in note 23 of the Notes to the Consolidated Financial Statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2019, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

TAXATION

The Company was subject to an applicable income tax rate of 25% during the Year.

As approved by Xia Ke Lian [2018] No.32 and Xia Ke Lian [2019] No.23 issued by Xiamen Municipal Science and Technology Bureau, Xiamen Municipal Taxation Bureau and other government departments, Xiamen Container Terminal Group, Songyu Terminal and XICT, being subsidiaries of the Company, are recognized as technologically-advanced service companies respectively, and therefore such three enterprises are entitled to corporate income tax reduction followed by the tax rate of 15% for the year ended 31 December 2019 according to Cai Shui [2018] No. 44 issued by the Ministry of Finance, the State Administration of Taxation and other government departments of China (the applicable income tax rate of Xiamen Container Terminal Group was 25% and that of Songyu Terminal and XICT was 15% in 2018).

As approved by State Administration of Taxation of Xiamen Branch, Haiyu Terminal, a subsidiary of the Company, is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The income tax rate for the year ended 31 December 2019 is 12.5% (2018: 12.5%).

Trend Wood, Hong Kong Ocean Shipping Agency, and Haiheng Hong Kong, all being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5% (2018: 16.5%).

Except for Xiamen Container Terminal Group, Songyu Terminal, XICT, Haiyu, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2019 (2018: 25%).

Since 1 November 2012, Xiamen City was commenced as the pilot city of the reform from business tax to value-added tax, while the port industry was within the scope of the pilot reform, in which a value-added tax rate of 9% or 11% is applicable to the general taxpayers in the transportation industry (including land transport and water transport services, etc.) and a value-added tax rate of 6% is applicable to the general taxpayers of some other modern services industries (including logistics auxiliary services such as port terminal service, cargo transport agency service, storage service and loading, unloading and transport services). Therefore, the main applicable value-added tax rates of the Company and its subsidiaries were 6%, 9% or 11%. According to the Announcement of the Ministry of Finance, State Taxation Administration and General Administration of Customs on Policies Related to the Deepening of Value-added Tax Reform (Announcement No. 39 of the Ministry of Finance, State Taxation Administration and General Administration of Customs, 2019), the main subsidiaries of the Company are regarded as the taxpayers of production and life services, from 1 April 2019 to 31 December 2021, adding 10% to the current deductible input tax against value-added tax payable. In addition, according to the relevant provisions issued by Ministry of Finance and the State Administrative of Taxation, for the units in the above-mentioned pilot region, the taxable services including the provision of logistics auxiliary services to overseas units are exempted from value-added tax. As a result, after filing at the competent state tax authority, the profit of the Company and some of its subsidiaries generated from the provision of logistics auxiliary services to overseas clients was exempted from value-added tax.

Save as the aforementioned, the Company is not aware of any other tax concession relevant to the holding of any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been committed to maintaining a high standard of corporate governance, and the Board considers that the efficient corporate governance has made an important contribution to the success of the Company's operation and the value enhancement of shareholders as a whole. For the Year, the Company has been in compliance with the code provisions and most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Details of the discussion of such compliance are set out in the "Corporate Governance Report" section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, more than 25% of the shares issued by the Company were held in public float as at the latest practicable date prior to the issue of this annual report, which adequately exceeded the requirements of the Listing Rules.

AUDITOR

The financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, who will retire at the forthcoming annual general meeting. The Company will propose a resolution to re-appoint the auditor at the forthcoming annual general meeting.

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
27 March 2020

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd:

The Supervisory Committee of the Company (the "Supervisory Committee") hereby presents the Report of the Supervisory Committee.

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2019

At the beginning of 2019, the Supervisory Committee comprised five Supervisors, including shareholders Supervisor Mr. ZHANG Guixian, staff representative Supervisor Mr. LIAO Guosheng, staff representative Supervisor Mr. WU Weijian, independent Supervisor Mr. TANG Jinmu and independent Supervisor Mr. XIAO Zuoping. On 23 August 2019, a resolution was passed at the Company's First Extraordinary General Meeting in 2019 to appoint Mr. DU Hongjia as a Supervisor of the fifth session of the Supervisory Committee. On the same date, the Company convened the ninth meeting of the fifth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the fifth session of the Supervisory Committee. On 13 December 2019, Mr. WU Weijian resigned from the position of staff representative Supervisor of the fifth session of the Supervisory Committee due to his reaching of the statutory retirement age. On the same date, as approved at the staff representative meeting of the Company, Mr. LIU Xiaolong has been elected and appointed as a staff representative Supervisor of the fifth session of the Supervisory Committee with immediate effect. Accordingly, as at 31 December 2019, the fifth session of the Supervisors Committee comprised two shareholders representative Supervisors, namely Mr. DU Hongjia and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping, Mr. DU Hongjia was the Chairman of the Supervisory Committee.

During the Reporting Period, the Supervisory Committee had been conscientiously conducting its duties and working diligently and actively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations.

In the year of 2019, the Supervisory Committee convened five meetings in total, mainly for reviewing and approving the financial documents such as the annual report and the interim report of the Company and the working report of the Supervisory Committee in 2018, nominating Mr. DU Hongjia as a candidate of the fifth session of the Supervisory Committee and electing him as the Chairman of the fifth session of the Supervisory Committee, as well as reviewing and approving the "Supervision and Management System of Supervisory Committee" of the Company and the "Rules of Procedures for the Supervisory Committee" which would be submitted to the Company's general meeting for consideration. The above-mentioned matters have all formed special resolutions.

During the Reporting Period, members of the Supervisory Committee had monitored and reviewed the agendas of the Board meetings and general meetings, the relevant resolutions passed and their implementations by attending all the Board meetings and general meetings convened in 2019, were reported on the working and financial situation, reviewed the financial report and audit report and were reported by the external auditors on their audit of the Company. The Supervisory Committee believes that the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at general meetings or by the Board.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2019

1. Operation of the Company in compliance with the law

The Supervisory Committee had carefully monitored and inspected the performance of duties conducted by the Directors and senior management of the Company as well as the execution of the Company's risk management and internal control system pursuant to the provisions of the Listing Rules, the relevant applicable laws and regulations and the Articles. The Supervisory Committee is of the opinion that, during the Reporting Period, the Company's decision-making procedures were standardized and legal, and the internal control system had been further improved and implemented strictly, the Company had strictly complied with all the applicable laws, regulations and conducted standardized operation pursuant to the requirements of the Listing Rules. The Board and senior management had duly and diligently discharged their duties and operated the Company with a standardized operation system in place. The Supervisory Committee was not aware of any contravention of applicable laws or regulations or the Articles or acts by the Directors and the senior management which were detrimental to the interests of the Company and its shareholders.

2. Financial position of the Company

The Supervisory Committee had carefully reviewed the 2019 financial report and the 2019 profit distribution proposal of the Company and the 2019 auditors' report issued by the auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, and other relevant information. The Supervisory Committee is of the opinion that during the Reporting Period, the financial condition of the Company was sound with standardized financial management strictly implemented. The 2019 financial report of the Company provides an objective, fair and true view of the financial conditions and the operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also approved the 2019 profit distribution proposal of the Company.

3. **Connected transactions of the Company**

The Supervisory Committee is of the opinion that, during the Reporting Period, the transaction prices in connection with the acquisition or disposal of assets involving the Company were reasonable, no insider dealings were discovered and no circumstances which would have been detrimental to any shareholders or would have resulted in any loss of the Company's assets in transaction activities was existed. During the Reporting Period, every connected transaction was concluded in the ordinary and usual course of business of the Company on normal or better commercial terms. The consideration of every transaction was determined on the basis of fair market value, was fair and reasonable as to the Company and its shareholders and was in the interests of the Company and its shareholders as a whole.

In 2020, all members of the Supervisory Committee will continue to strictly comply with the provisions of the Articles and the relevant requirements, and put more effort to strengthen supervision in order to practically safeguard and protect the interests of the Company and its shareholders as a whole.

By order of the Supervisory Committee
XIAMEN INTERNATIONAL PORT CO., LTD

DU Hongjia
Chairman of the Supervisory Committee

Xiamen, the PRC
27 March 2020

羅兵咸永道

TO THE SHAREHOLDERS OF XIAMEN INTERNATIONAL PORT CO., LTD

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 228, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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pwc 羅兵咸永道

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc 羅兵咸永道

A key audit matter is identified in our audit as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Non-current assets (including goodwill) impairment assessments for container loading and unloading and storage business segment	
Reference is made to Notes 4.1, 6, 7 and 8 in the consolidated financial statements. As at 31 December 2019, the carrying amounts of non-current assets of container loading and unloading and storage business segment includes goodwill of RMB129 million and other non-current assets amounting to RMB11,538 million. Management is required to perform goodwill impairment review annually or more frequently if a potential impairment is indicated. Management is also required to perform impairment review on other non-current assets when there is an impairment indicator. In view of the depressing shipping industry and the fact that the Group's net asset value is higher than its market capitalisation, management assessed the recoverability of the carrying amounts of non-current assets (including goodwill) for container loading and unloading and storage business segment. The recoverable amounts of non-current assets (including goodwill) have been determined based on value-in-use calculations. We focused on this area because management is required to exercise considerable judgements and estimates in determining the recoverable amounts of the non-current assets (including goodwill), based on various assumptions including sales volume, sales price, gross margin, growth rate and pre-tax discount rate.	Our procedures in relation to the impairment assessments of non-current assets (including goodwill) included: We evaluated the processes and controls designed and operated by the Group relating to the assessment of the recoverable amounts of non-current assets (including goodwill) for container loading and unloading and storage business segment. We reviewed the valuation methodology used by management to determine its compliance with accounting standards. With support of our internal valuation expert, we evaluated the appropriateness of discount rate used by management. We also corroborated the key assumptions of future cash flows, including sales volume, sales price, gross margin, growth rate and challenged whether these were appropriate in light of historical trends and independent future market analysis. We tested the mathematical accuracy of the relevant value-in-use calculations prepared by management. We also evaluated the sensitivity analysis around the key assumptions used in the calculations to ascertain the extent of change in those assumptions that either individually or collectively would be required for the non-current assets (including goodwill) to be impaired and also considered the likelihood of such a change in those key assumptions arising. Based on our work performed, we considered the methodology used by management was appropriate and the key assumptions applied in the value-in-use calculations were supportable by evidence.

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OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2019 Annual Report. The other information comprises the information included in the financial highlights, chairman's statement, management discussion and analysis, report of the directors, report of the supervisory committee (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, corporate profile, corporate governance report, biographies of directors, supervisors and senior management which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate information, corporate profile, corporate governance report, biographies of directors, supervisors and senior management, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

羅兵咸永道

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

羅兵咸永道

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve: collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Balance Sheet

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment properties	5	**158,793**	165,011
Property, plant and equipment	6	**11,762,442**	11,786,311
Land use rights		**–**	3,580,871
Intangible assets	7	**187,338**	628,228
Right-of-use assets	8	**4,221,091**	–
Interests in joint ventures	10	**107,020**	68,993
Interests in associates	11	**36,784**	38,752
Financial assets at fair value through other comprehensive income	12	**53,224**	48,104
Long-term receivables and prepayments	16	**1,537**	64,321
Deferred income tax assets	13	**268,461**	264,762
Total non-current assets		**16,796,690**	16,645,353
Current assets			
Inventories	14	**1,209,735**	1,103,020
Accounts receivable	15	**1,087,034**	1,007,840
Other receivables and prepayments	16	**917,532**	842,416
Financial assets at fair value through other comprehensive income	12	**90,905**	67,165
Financial assets at fair value through profit or loss	12	**261,705**	847,961
Term deposits with initial term over three months	17	**650,187**	10,000
Restricted cash	18	**35,730**	34,412
Cash and cash equivalents	19	**1,883,432**	681,633
		6,136,260	4,594,447
Assets classified as held-for-sale	11	**–**	12,456
Total current assets		**6,136,260**	4,606,903
Total assets		**22,932,950**	21,252,256
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**2,726,200**	2,726,200
Reserves	25	**2,921,184**	2,637,812
		5,647,384	5,364,012
Non-controlling interests		**6,726,742**	6,604,653
Total equity		**12,374,126**	11,968,665

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**3,356,160**	3,165,847
Deferred government grants and income	22	**119,852**	122,230
Long-term payables and advances	21	**1,744**	1,782
Lease liabilities	8	**181,214**	–
Deferred income tax liabilities	13	**421,692**	421,831
Total non-current liabilities		**4,080,662**	3,711,690
Current liabilities			
Accounts and notes payable	20	**1,264,205**	996,977
Contract liabilities		**417,418**	403,202
Other payables and accruals	21	**593,361**	703,731
Borrowings	23	**4,082,174**	3,364,412
Lease liabilities	8	**63,277**	–
Provisions		**9,021**	–
Taxes payable		**48,706**	103,579
Total current liabilities		**6,478,162**	5,571,901
Total liabilities		**10,558,824**	9,283,591
Total equity and liabilities		**22,932,950**	21,252,256

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

The financial statements on pages 104 to 228 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf by:

Cai Liqun
Director

Chen Zhaohui
Director

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenues	26	**13,933,106**	12,916,756
Cost of sales	29	**(12,676,185)**	(11,701,708)
Gross profit		**1,256,921**	1,215,048
Other income	26	**318,980**	326,226
Other losses — net	27	**(4,147)**	(5,834)
Selling and marketing expenses	29	**(75,657)**	(62,343)
General and administrative expenses	29	**(371,761)**	(364,137)
Net impairment reversals on financial assets		**142**	323
Operating profit		**1,124,478**	1,109,283
Finance income	30	**19,384**	21,273
Finance costs	30	**(248,044)**	(312,536)
		895,818	818,020
Share of profits less losses of joint ventures	10	**1,708**	(10,870)
Share of profits less losses of associates	11	**3,392**	2,436
Profit before income tax		**900,918**	809,586
Income tax expense	31(b)	**(232,159)**	(255,196)
Profit for the year		**668,759**	554,390
Profit for the year attributable to:			
Owners of the Company		**279,684**	244,750
Non-controlling interests		**389,075**	309,640
		668,759	554,390
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (in RMB cents)	33	**10.26**	8.98

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**668,759**	554,390
Other comprehensive income, net of tax		
Items that will not be reclassified subsequently to profit or loss		
— Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	**3,221**	(5,573)
Total comprehensive income for the year	**671,980**	548,817
Total comprehensive income for the year attributable to:		
— Owners of the Company	**282,905**	239,177
— Non-controlling interests	**389,075**	309,640
	671,980	548,817

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	2,726,200	(321,966)	2,816,018	5,220,252	6,619,710	11,839,962
Comprehensive income						
Profit for the year	–	–	244,750	244,750	309,640	554,390
Other comprehensive income						
Changes in the fair value of financial assets at fair value through other comprehensive income	–	(5,573)	–	(5,573)	–	(5,573)
– Gross	–	(7,431)	–	(7,431)	–	(7,431)
– Related deferred income tax	–	1,858	–	1,858	–	1,858
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	(38,530)	38,530	–	–	–
– Gross	–	(51,373)	51,373	–	–	–
– Related deferred income tax	–	12,843	(12,843)	–	–	–
Total comprehensive income	–	(44,103)	283,280	239,177	309,640	548,817
Transactions with owners in their capacity as owners						
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(371,997)	(371,997)
2017 final dividends	–	–	(95,417)	(95,417)	–	(95,417)
Profit appropriation	–	29,117	(29,117)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	47,300	47,300
Total transactions with owners in their capacity as owners	–	29,117	(124,534)	(95,417)	(324,697)	(420,114)
Balance at 31 December 2018	2,726,200	(336,952)	2,974,764	5,364,012	6,604,653	11,968,665

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	2,726,200	(336,952)	2,974,764	5,364,012	6,604,653	11,968,665
Comprehensive income						
Profit for the year	–	–	279,684	279,684	389,075	668,759
Other comprehensive income						
Changes in the fair value of financial assets at fair value through other comprehensive income	–	3,221	–	3,221	–	3,221
– Gross	–	4,295	–	4,295	–	4,295
– Related deferred income tax	–	(1,074)	–	(1,074)	–	(1,074)
Total comprehensive income	–	3,221	279,684	282,905	389,075	671,980
Transactions with owners in their capacity as owners						
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	84,283	84,283
Disposal of partial ownership interest in a subsidiary without loss of control	–	14,214	–	14,214	21,768	35,982
Subscription of new shares of a listed subsidiary resulting in dilution of non-controlling interests (Note 37(a))	–	40,777	–	40,777	(40,777)	–
2018 final dividends	–	–	(54,524)	(54,524)	–	(54,524)
Profit appropriation	–	22,306	(22,306)	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(332,260)	(332,260)
Total transactions with owners in their capacity as owners	–	77,297	(76,830)	467	(266,986)	(266,519)
Balance at 31 December 2019	2,726,200	(256,434)	3,177,618	5,647,384	6,726,742	12,374,126

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	**1,886,814**	1,455,003
Interest paid		**(242,118)**	(276,571)
Income tax paid		**(291,944)**	(268,912)
Net cash generated from operating activities		**1,352,752**	909,520
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		**(693,247)**	(839,052)
Proceeds from disposals of property, plant and equipment and land use rights		**15,931**	46,719
Government grants for property, plant and equipment		**8,146**	25,444
Capital injection to associate	11	**–**	(1,750)
Capital injection to joint ventures	10	**(8,029)**	(9,000)
Cash received from disposal of a joint venture	10	**–**	1,769
Investment return from Build and Transfer project		**–**	100,000
Loans to related parties		**–**	(18,250)
Repayment of loans to related parties		**–**	18,250
Interest received		**19,384**	21,704
Dividends received		**7,833**	9,655
Proceeds from settlement of wealth management products		**809,102**	1,371,299
Purchase of wealth management products		**(266,846)**	(1,576,760)
Payment for business combination under non-common control		**(52,000)**	(10,000)
Proceeds from disposal of held-for-sale assets		**21,772**	–
Cash received from disposal of financial assets at fair value through other comprehensive income		**–**	55,973
Increase in restricted cash		**(4,215)**	(36,231)
Decrease in restricted cash		**2,897**	39,296
Increase in term deposits with initial term of over three months		**(1,000,187)**	(18,000)
Decrease in term deposits with initial term of over three months		**360,000**	16,000
Net cash used in investing activities		**(779,459)**	(802,934)

	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**7,482,379**	6,159,410
Repayments of borrowings		**(6,499,711)**	(5,822,834)
Contribution from non-controlling shareholders of subsidiaries		**84,283**	47,300
Cash received from disposal of partial ownership interest in a subsidiary to a non-controlling shareholder without loss of control		**35,982**	–
Settlements of lease liabilities		**(85,946)**	–
Repayment of loan from non-controlling shareholders of a subsidiary		**–**	(80,996)
Loan from a related party		**32,000**	6,000
Repayment of loan from a related party		**(25,000)**	–
Dividends paid to owners of the Company		**(54,524)**	(95,417)
Dividends paid to non-controlling shareholders of subsidiaries		**(342,402)**	(311,205)
Net cash generated/(used) in from financing activities		**627,061**	(97,742)
Net increase in cash and cash equivalents		**1,200,354**	8,844
Cash and cash equivalents at beginning of year		**681,633**	671,348
Exchange gains on cash and cash equivalents		**1,445**	1,441
Cash and cash equivalents at end of year	19	**1,883,432**	681,633

The notes on pages 112 to 228 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. General information

Xiamen International Port Co., Ltd (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC"). The Company's H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The Company and its subsidiaries (together, the ''Group'') are principally engaged through the relevant terminals in Dongdu port area and Haicang port area of Xiamen, Qingzhou operating area in Fuzhou and Quanzhou port, in container, bulk and general cargo loading and unloading and storage businesses; comprehensive port logistic services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; building materials manufacturing, processing and selling; the trading of merchandise and investment holding.

The directors of the Company regard Xiamen Port Holding Group Co., Ltd. (''XPHG''), a wholly state-owned company incorporated in the PRC, as being the parent company of the Company.

These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 27 March 2020.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2019, the Group's current liabilities exceeded current assets by RMB342 million. As at 31 December 2019, the available unused bank facilities of the Group amounted to RMB6,992 million. Based on the cash inflows from operating activities and the bank facilities available to the Group, the Board believes that the Group will continue to receive enough finance to support the operation and debt repayment and capital expenditure during at least twelve months from the date of these financial statements. Accordingly, these financial statements are prepared on going-concern basis.

Changes in accounting policies and disclosures

(a) New standard, amendments and interpretation adopted by the Group in 2019

The following new standard, amendments and interpretation of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2019:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Regarding prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Regarding plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Regarding long-term interests in associates and joint ventures	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(a) New standard, amendments and interpretation adopted by the Group in 2019 (continued)

The impact of the adoption of HKFRS 16 are described in Note 2.2 below. The other amendments and interpretation did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standard and amendments not yet adopted

The following new standard and amendments of HKFRSs have been published but are not mandatory for the Group's accounting year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Regarding definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Regarding definition of material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Regarding interest rate benchmark reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021 (likely to be extended to 2023)

The Group will adopt the above new standard and amendments when they become effective but it is not expected that they will result in any significant impact to the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.2 Impact from changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements.

The Group has adopted HKFRS 16 "Leases" from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.27.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.15%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. There had been no measurement adjustments to these finance leases recognised immediately after the date of initial application.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019,

2. Summary of significant accounting policies (continued)

2.2 Impact from changes in accounting policies (continued)

Adjustments recognised on adoption of HKFRS 16 (continued)

(i) Practical expedients applied (continued)

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 "Leases" and HK(IFRIC) Interpretation 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	165,208
Less: Short-term leases to be recognised on a straight-line basis as expenses	(18,424)
Less: Low-value leases to be recognised on a straight-line basis as expenses	(1,328)
	145,456
Discounted using the lessee's incremental borrowing rate at the date of initial application	130,257
Add: Finance lease liabilities recognised as at 31 December 2018	80,967
Lease liabilities recognised as at 1 January 2019	211,224
Of which are:	
Current lease liabilities	44,328
Non-current lease liabilities	166,896
	211,224

2. Summary of significant accounting policies (continued)

2.2 Impact from changes in accounting policies (continued)

Adjustments recognised on adoption of HKFRS 16 (continued)

(iii) Measurement of/Reclassification to right-of-use assets

The net book value of recognised right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Measurement(a)		
— Properties	**242,234**	219,257
Reclassification(b)		
— Equipment	**86,841**	80,967
— Land use rights	**3,469,422**	3,580,871
— Port line and sea area use rights	**422,594**	441,182
	3,978,857	4,103,020
Total right-of-use assets	**4,221,091**	4,322,277

(a) Right-of-use assets were measured at the amount equal to the respective lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(b) According to HKFRS 16 paragraph C5(b), the Group elected to reclassify certain equipment under finance leases, all land use rights, and all port line and sea area use rights formerly recorded under intangible assets to the right-of-use assets at the date of initial application.

2. Summary of significant accounting policies (continued)

2.2 Impact from changes in accounting policies (continued)

Adjustments recognised on adoption of HKFRS 16 (continued)

(iii) Measurement of/Reclassification to right-of-use assets (continued)

The main impact on the consolidated balance sheet on 1 January 2019 was reclassification of certain equipment under property, plant and equipment, all land use rights and certain intangible assets to right-of-use assets due to the adoption of HKFRS 16, no net impact on retained earnings on 1 January 2019. There had been no measurement adjustment to the finance leases recognised immediately after the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As at 31 December 2018 RMB'000	Effect of initial adoption of HKFRS 16 RMB'000	**As at 1 January 2019 RMB'000**
Assets			
Property, plant and equipment	11,786,311	(80,967)	**11,705,344**
Land use rights	3,580,871	(3,580,871)	**–**
Intangible assets	628,228	(441,182)	**187,046**
Long-term receivables and prepayments	64,321	(55,731)	**8,590**
Other receivables and prepayments	842,416	(33,269)	**809,147**
Right-of-use assets	–	4,322,277	**4,322,277**
Liabilities			
Borrowings	6,530,259	(80,967)	**6,449,292**
Lease liabilities	–	211,224	**211,224**

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting

2.3.1 *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations under common control

The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the purchase of the equity interests in the acquired subsidiary under common control (the "Acquired Subsidiary"), as if the acquisition had occurred and the Acquired Subsidiary had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the Group and the Acquired Subsidiary are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of the business combinations under common control. The consolidated statement of comprehensive income includes the results of the Group and the Acquired Subsidiary from the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the Acquired Subsidiary had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.1 Subsidiaries (continued)

(a) Business combinations under common control (continued)

Transaction costs incurred in relation to business combinations under common control that are accounted for by using merger accounting are recognised as an expense in the year in which they are incurred.

(b) Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.1 Subsidiaries (continued)

(b) *Business combinations not under common control* (continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.1 Subsidiaries (continued)

(b) Business combinations not under common control (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.3.4 below), after initially being recognised at cost.

2.3.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Interests in joint ventures are accounted for using the equity method (see 2.3.4 below), after initially being recognised at cost in the consolidated balance sheet.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.3.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.5 Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with Note 2.11.

2. Summary of significant accounting policies (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The senior executive management team, including the chairman and the chief executive officer of the Company, who carry out on a regular basis to make strategic decisions, is responsible for allocating resources and assessing performance of the operating segments.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency. Renminbi is also the functional currency of all the subsidiaries, joint ventures and associates of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within finance income or expenses. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains/(losses).

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.7 Investment properties

Investment properties are held for long-term rental yields.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 25 to 50 years. The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the consolidated income statement. The cost of maintenance, repairs and minor improvements is charged to the consolidated income statement during the financial period when it is incurred.

An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposal of an investment property are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to the residual values over their estimated useful lives, as follows:

— Buildings	5 to 40 years
— Port infrastructure	25 to 50 years
— Storage infrastructure	20 to 25 years
— Loading machineries	8 to 25 years
— Other machineries	6 to 15 years
— Vessels	5 to 18 years
— Vehicles	5 to 10 years
— Furniture, fittings and equipment	5 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress represents property, plant and equipment under construction or pending installation and is stated at cost. Cost includes the costs of construction of property, plant and equipment, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

2.9 Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(a) Land use rights

The Group elected to reclassify all the land use rights to the right-of-use assets at the date of initial application of HKFRS 16. Land use rights represent prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease periods of 26 to 50 years.

2. Summary of significant accounting policies (continued)

2.9 Right-of-use assets (continued)

(b) Port line use rights

The Group elected to reclassify all the port line use rights formerly recorded under intangible assets to the right-of-use assets at the date of initial application of HKFRS 16. Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the port lines for periods of 48 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights of 48 years.

(c) Sea area use rights

The Group elected to reclassify all the sea area use rights formerly recorded under intangible assets to the right-of-use assets at the date of initial application of HKFRS 16. Sea area use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea area for periods of 48 years. Amortisation of sea area use rights are calculated on the straight-line method over the period of the sea area use rights of 48 years.

(d) Other finance lease assets

The Group elected to reclassify certain equipment under finance leases to the right-of-use assets at the date of initial application of HKFRS 16. Finance lease assets are stated at cost less accumulated depreciation and accumulated impairment losses. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2. Summary of significant accounting policies (continued)

2.10 Intangible assets

(a) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(c) *Measurement* (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(c) *Measurement* (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 2.16 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2. Summary of significant accounting policies (continued)

2.14 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Accounts and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently measured at amortised cost using the effective interest method, less provision for impairment.

See Note 2.12 for further information about the Group's accounting for receivables and a description of the Group's impairment policies for receivables.

2. Summary of significant accounting policies (continued)

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Accounts and other payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Summary of significant accounting policies (continued)

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(b) *Deferred income tax* (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) *Retirement benefit obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. In addition, the Group has participated in a supplementary pension scheme under which the Group is required to make monthly payments to pension funds for its existing qualifying employees, at certain percentages of the annual salaries of the qualifying employees. The Group has no further obligation for post-retirement benefits beyond the above contributions made. Contributions to these plans or scheme are expensed as incurred.

2. Summary of significant accounting policies (continued)

2.23 Employee benefits (continued)

(b) Early retirement benefits

Early retirement benefits are recognised as expense in the period the Group reaches agreements with the relevant employees for the early retirement.

(c) Housing benefits

Full-time employees of the Group are entitled to participate in various government sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

2.25 Government grants and subsidies

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Recognition of revenue and income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services/goods underlying the particular performance obligation is transferred to customers.

Control of the services/goods is transferred over time or at a point in time.

(a) Revenue from container loading and unloading and storage

Revenue from container loading and unloading is recognised when the services are rendered. Revenue from container storage is recognised on a straight-line basis over the period of storage.

(b) Revenue from bulk/general cargo loading and unloading

Revenue from bulk/general cargo loading and unloading is recognised when the services are rendered.

2. Summary of significant accounting policies (continued)

2.26 Recognition of revenue and income (continued)

(c) Revenue from comprehensive port logistic services

Revenue from comprehensive port logistic services is recognised when the services are rendered.

(d) Revenue from sales of building materials

Sales of building materials are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(e) Revenue from merchandise trading

Revenue is recognised when the Group transfers all the control of goods to the buyer and no longer reserved any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The revenue for the sales of good is recognised on prices received or receivable from the buyer according to the contract or agreement.

(f) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(g) Rental income

Rental income on assets leased out under operating leases is recognised on the straight-line basis over the lease periods.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.27 Leases

(a) The Group as lessee

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 6). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 35). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset (Note 2.9) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

(a) *The Group as lessee* (continued)

Accounting policies applied from 1 January 2019 (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

(a) *The Group as lessee* (continued)

Accounting policies applied from 1 January 2019 (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of equipment.

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

(b) The Group as lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

2. Summary of significant accounting policies (continued)

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's cash and bank balances, accounts receivable, accounts payable and borrowings as at 31 December 2019 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR"), Hong Kong Dollars ("HKD") and Japanese Yen ("JPY") (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 15, 19, 20 and 23 respectively.

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

At 31 December 2019, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB2,551,285 lower/higher (2018: RMB1,147,410 lower/higher); If RMB had weakened/strengthened by 5% against the EUR with all other variables held constant, the Group's pre-tax profit for the year would have been RMB76 higher/lower (2018: RMB75 higher/lower); if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB53,044 lower/higher (2018: RMB65,191 lower/higher); if RMB had weakened/strengthened by 5% against the JPY with all other variables held constant, the Group's pre-tax profit for the year would have been RMB27,632 lower/higher (2018: RMB26,684), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets (other than term deposits, cash and bank balances). The Group's exposure to changes in interest rates is mainly attributable to its borrowings.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2019, approximately 62% (2018: 73%) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Interest rate risk (continued)

At 31 December 2019, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB11,534,846 (2018: RMB8,804,554) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

(c) Price risk

The Group is exposed to equity securities price risk because the Group holds certain investments which are classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income (Note 12). The Group currently does not have a policy in respect of investment portfolio diversification. Management closely monitors the price risk exposure and will make appropriate investment decisions by reference to the movement trend of recent market prices, expected future returns and all other relevant factors.

As at 31 December 2019, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of financial assets at fair value through other comprehensive income and the Group's total equity would have been increased/decreased by the same amount of RMB4,824,635 (2018: RMB4,394,644), excluding the tax effect.

Wealth management products are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. As the fair value of wealth management products is approximately equal to their carrying amount due to short maturity, the price risk of wealth management products is not significant.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk

The Group's maximum exposure to credit risk in respect of financial assets is the carrying amounts of term deposits, cash and cash equivalents, restricted cash, accounts and other receivables as at the balance sheet date. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

For term deposits, cash and cash equivalents and restricted cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks.

In respect of accounts receivable, the Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and asks for collateral when proper and necessary. Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management and utilisation of these credit limits is regularly monitored. Generally, accounts receivable are due within 60 days from the date of billing.

Further quantitative disclosure in respect of the Group's exposure to credit risk from accounts and other receivables are set out in Note 15 and Note 16.

No other financial assets carry a significant exposure to credit risk.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements — for example, currency restrictions.

The Group's demand for cash is due to the port construction, purchase of cargo loading machines and debt repayment. The operating cash flow needed is satisfied by cash received from business operation and bank debt financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2019				
Borrowings	4,082,174	2,355,220	515,628	485,312
Lease liabilities	63,277	73,092	108,122	—
Long-term payables and advances	40	42	146	1,516
Accounts and notes payable	1,264,205	—	—	—
Other payables and accruals	593,361	—	—	—
	6,003,057	2,428,354	623,896	486,828

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2018				
Borrowings	3,364,412	531,970	2,204,485	429,392
Long-term payables and advances	37	40	136	1,569
Accounts and notes payable	996,977	—	—	—
Other payables and accruals	703,731	—	—	—
	5,065,157	532,010	2,204,621	430,961

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

3. Financial risk management (continued)

3.2 Capital risk management (continued)

During 2019, the Group's strategy, which was approximately unchanged from 2018, was to maintain a low gearing ratio. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Total borrowings (Note 23)	7,438,334	6,530,259
Less: Cash and cash equivalents (Note 19)	(1,883,432)	(681,633)
Net debt	5,554,902	5,848,626
Total equity	12,374,126	11,968,665
Total capital	17,929,028	17,817,291
Gearing ratio (%)	30.98%	32.83%

The decrease in the gearing ratio during 2019 resulted primarily from the increase in cash and cash equivalents (Note 19) during the year.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	48,246	–	95,883	144,129
Financial assets at fair value through profit or loss	–	–	261,705	261,705

The following table presents the Group's assets that are measured at fair value at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	43,951	–	71,318	115,269
Financial assets at fair value through profit or loss	–	–	847,961	847,961

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through other comprehensive income (Note 12).

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

As at 31 December 2019, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

4. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairments of non-current assets

The Group tests at least annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

Specific assumptions and estimates involved in the cash flow projections for goodwill are set out in Note 7.

4. Critical accounting estimates and assumption (continued)

4.2 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

For the year ended 31 December 2019, if the useful lives of property, plant and equipment differ by 10% from management's estimates, the Group would need to:

– increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB56,581,686, if favourable; or

– decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB56,581,686, if unfavourable.

4.3 Taxation

The Group is subject to various kinds of taxes in daily operation. Influenced by effective or substantively effective tax laws and relevant interpretations from tax authorities, there exists the uncertainty in the tax treatment on many transactions and events where requires the estimation from the Group. The management makes the best estimation and records the tax results based on the effective or substantively effective tax laws, relative interpretations and the actual situation of the transactions in the Group. At each balance sheet date, the management revaluates the estimations according to the updates of the transactions and changes in laws and regulations. Because of the uncertainty aforementioned, the final tax result could be different from management's estimation, such differences will impact the tax recorded in the periods when the final tax results are determined.

4. Critical accounting estimates and assumption (continued)

4.3 Taxation (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantively enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be recovered. Management will revise the assumptions and profit projections by each balance sheet date.

4.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations by each balance sheet date.

Were the actual selling price of inventories different by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB18,955,000 (2018: RMB21,364,314), if unfavourable.

4.5 Provision for impairment of receivables

The Group has adopted the simplified expected credit loss model for its trade receivables (Note 15), as required by HKFRS 9 and the general expected credit loss model for long-term receivables, other receivables, debt investments carried at amortised cost and debt investments carried at fair value through other comprehensive income. All of the Group's debt investments have low credit risk at both the beginning and end of the reporting period. Management will reassess the provision by each balance sheet date.

4. Critical accounting estimates and assumption (continued)

4.6 The progress and cost of construction in progress

The terminal project experiences a long construction period and the Group transfers the construction in progress to fixed assets upon the completion of the project. Because the whole construction involves various projects, the completion settlement also takes a long time to accomplish. Consequently, the Group makes the best estimation on the completion status of the project, the time to transfer the construction in progress to fixed assets and the total costs to be transferred. These judgement and estimation may differ with the final completion settlement result which will have impact on the cost of the fixed assets initially estimated and corresponding depreciation.

4.7 Government grants

Government grants should be recognised in the consolidated income statement to match them with the expenditure towards which they are intended to compensate. Management will recognise the grants as grants relating to asset or income according to terms. Sometimes there will be some conditions attached to the grants, management will carefully assess whether the Group will comply with the conditions and grants will be only recognised when the Group is certain to comply with the conditions even if the grants has already been received.

5. Investment properties

	2019 RMB'000	2018 RMB'000
Opening net book amount	**165,011**	159,063
Additions	**3,502**	12,025
Transferred from property, plant and equipment (Note 6)	**13,401**	914
Transferred to property, plant and equipment (Note 6)	**(15,703)**	(777)
Depreciation	**(7,418)**	(6,214)
Closing net book amount	**158,793**	165,011
Cost	**219,941**	221,521
Accumulated depreciation	**(61,148)**	(56,510)
Net book amount	**158,793**	165,011

No independent valuation was carried out for the investment properties. As at 31 December 2019, the management estimated fair value of the Group's investment properties amounted to approximately RMB193,852,000 (2018: RMB206,655,000) by making reference to current market prices for similar properties in the similar location and condition with similar leasing arrangement.

Depreciation expense of RMB7,418,000 (2018: RMB6,214,000) has been charged in cost of sales (Note 29).

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: Nil).

6. Property, plant and equipment

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2018										
Cost	726,299	7,299,879	955,148	3,361,256	740,437	221,052	654,922	292,892	870,013	15,121,898
Accumulated depreciation	(185,927)	(869,036)	(220,207)	(1,161,839)	(289,328)	(135,173)	(288,720)	(170,853)	–	(3,321,083)
Accumulated impairment losses	–	(1,823)	–	–	(4,835)	–	–	(4)	(3,170)	(9,832)
Net book amount	540,372	6,429,020	734,941	2,199,417	446,274	85,879	366,202	122,035	866,843	11,790,983
Year ended 31 December 2018										
Opening net book amount	540,372	6,429,020	734,941	2,199,417	446,274	85,879	366,202	122,035	866,843	11,790,983
Additions	9,801	25,170	6,809	46,063	9,154	15,881	–	25,540	516,243	654,661
Transferred from construction-in-progress	91,567	97,210	40,942	29,671	44,684	104	–	18,409	(322,587)	–
Transferred from investment properties (Note 5)	777	–	–	–	–	–	–	–	–	777
Transferred to investment properties (Note 5)	(914)	–	–	–	–	–	–	–	–	(914)
Transferred to intangible assets (Note 7)	–	–	–	–	–	–	–	–	(3,212)	(3,212)
Disposals (Note 27)	–	(6,449)	(339)	(4,574)	(21,402)	(1,729)	–	(1,563)	(26,990)	(63,046)
Government subsidies	–	–	(2,040)	–	(11,908)	–	–	–	(11,496)	(25,444)
Depreciation	(32,698)	(194,723)	(37,729)	(171,748)	(36,473)	(18,536)	(31,836)	(42,438)	–	(566,181)
Impairment	–	–	–	(1,313)	–	–	–	–	–	(1,313)
Closing net book amount	608,905	6,350,228	742,584	2,097,516	430,329	81,599	334,366	121,983	1,018,801	11,786,311
At 31 December 2018										
Cost	827,236	7,415,193	999,251	3,381,727	734,970	208,753	654,922	325,680	1,018,801	15,566,533
Accumulated depreciation	(218,331)	(1,063,142)	(256,667)	(1,282,898)	(301,341)	(127,154)	(320,556)	(203,693)	–	(3,773,782)
Accumulated impairment losses	–	(1,823)	–	(1,313)	(3,300)	–	–	(4)	–	(6,440)
Net book amount	608,905	6,350,228	742,584	2,097,516	430,329	81,599	334,366	121,983	1,018,801	11,786,311

6. Property, plant and equipment (continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2019										
Opening net book amount	608,905	6,350,228	742,584	2,097,516	430,329	81,599	334,366	121,983	1,018,801	11,786,311
Adjustment for change in accounting policy (Note 2)	–	–	–	–	–	–	–	(2,813)	(78,154)	(80,967)
Restated opening net book amount as at 1 January 2019	608,905	6,350,228	742,584	2,097,516	430,329	81,599	334,366	119,170	940,647	11,705,344
Additions	7,877	26,619	5,207	10,289	47,260	12,118	–	29,656	525,780	664,806
Transferred from construction-in-progress	6,721	26,228	24,239	41,949	30,221	2,331	–	11,335	(143,024)	–
Transferred from investment properties (Note 5)	15,703	–	–	–	–	–	–	–	–	15,703
Transferred to investment properties (Note 5)	(752)	(12,049)	–	–	–	–	–	–	(600)	(13,401)
Transferred to intangible assets (Note 7)	–	–	–	–	–	–	–	–	(5,399)	(5,399)
Disposals (Note 27)	(3,089)	(224)	(1,213)	(843)	(793)	(1,223)	(2,292)	–	–	(9,677)
Investments to joint ventures (Note 10)	–	–	–	–	–	–	(20,785)	–	–	(20,785)
Government subsidies	–	–	–	–	(1,570)	–	–	–	(6,576)	(8,146)
Depreciation	(35,487)	(201,729)	(34,312)	(170,629)	(38,412)	(16,841)	(29,122)	(39,285)	–	(565,817)
Impairment	–	–	–	(186)	–	–	–	–	–	(186)
Closing net book amount	599,878	6,189,073	736,505	1,978,096	467,035	77,984	284,459	118,584	1,310,828	11,762,442
At 31 December 2019										
Cost	857,084	7,453,712	1,026,271	3,413,468	800,882	206,441	616,344	345,177	1,310,828	16,030,207
Accumulated depreciation	(257,206)	(1,262,816)	(289,766)	(1,433,873)	(330,547)	(128,457)	(331,885)	(226,589)	–	(4,261,139)
Accumulated impairment losses	–	(1,823)	–	(1,499)	(3,300)	–	–	(4)	–	(6,626)
Net book amount	599,878	6,189,073	736,505	1,978,096	467,035	77,984	284,459	118,584	1,310,828	11,762,442

Depreciation expense of RMB545,255,000, RMB407,000 and RMB20,155,000 (2018: RMB546,461,000, RMB417,000 and RMB19,303,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively (Note 29).

During the year ended 31 December 2019, the Group has capitalised borrowing costs of RMB63,286,000 (2018: RMB13,329,000) on qualifying assets (Note 30). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.86% (2018: 4.31%).

7. Intangible assets

	Goodwill (Note 7 (a)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2018					
Cost	150,128	438,826	26,263	86,871	702,088
Accumulated amortisation	–	(28,202)	(3,937)	(50,915)	(83,054)
Net book amount	150,128	410,624	22,326	35,956	619,034
Year ended 31 December 2018					
Opening net book amount	150,128	410,624	22,326	35,956	619,034
Additions	–	–	19,993	6,636	26,629
Transferred from construction-in-progress (Note 6)	–	–	–	3,212	3,212
Amortisation	–	(10,965)	(796)	(8,886)	(20,647)
Closing net book amount	150,128	399,659	41,523	36,918	628,228
At 31 December 2018					
Cost	150,128	438,826	46,256	96,719	731,929
Accumulated amortisation	–	(39,167)	(4,733)	(59,801)	(103,701)
Net book amount	150,128	399,659	41,523	36,918	628,228

7. Intangible assets (continued)

	Goodwill (Note 7 (a)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2019					
Opening net book amount	150,128	399,659	41,523	36,918	628,228
Reclassification to right-of-use assets with the change in accounting policy (Note 2.2)	–	(399,659)	(41,523)	–	(441,182)
Restated opening net book amount as at 1 January 2019	150,128	–	–	36,918	187,046
Additions	–	–	–	4,510	4,510
Transferred from construction-in-progress (Note 6)	–	–	–	5,399	5,399
Amortisation	–	–	–	(9,617)	(9,617)
Closing net book amount	150,128	–	–	37,210	187,338
At 31 December 2019					
Cost	150,128	–	–	106,617	256,745
Accumulated amortisation	–	–	–	(69,407)	(69,407)
Net book amount	150,128	–	–	37,210	187,338

Amortisation expense of RMB4,359,000 and RMB5,258,000 (2018: RMB15,167,000 and RMB5,480,000) has been charged in cost of sales, general and administrative expenses respectively for the year ended 31 December 2019 (Note 29).

7. Intangible assets (continued)

Impairment testing of goodwill

(a) In 2013, the Company and XPHG entered into merger agreements with other joint venture parties to establish Xiamen Container Terminal Group Co., Ltd ("Xiamen Terminal Group"). Goodwill of RMB129,261,000 was arising from the acquisition of Xiamen ITG Terminals Co., Ltd and New World Xiangyu Terminals Co., Ltd. upon the merger. The goodwill is attributable to strengthening the competitiveness of Xiamen Terminal Group's container loading, unloading and storage business.

For the purpose of impairment assessment, the goodwill is allocated to Xiamen Terminal Group, the principal CGU that the Group operates and benefit from the acquisition.

The recoverable amount of the above CGU has been determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For Xiamen Terminal Group, the key assumptions used in the value-in-use calculation in 2019 and 2018 are as follows.

	2019	2018
Sales volume (% annual growth rate)	**6%**	6%
Sales price (% annual growth rate)	**1%**	1%
Gross margin (% of revenue)	**43%**	43%
Long term growth rate used to extrapolate cash flows beyond five-year period	**2%**	2%
Pre-tax discount rate	**14%**	14%

7. Intangible assets (continued)

Impairment testing of goodwill (continued)

(a) (continued)

Sales volume is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

Sales price is the average annual growth rate over the five-year forecast period. It is based on current industry trends and long term inflation forecasts.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix.

The long term growth rate used is consistent with the forecast included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segment.

8. Leases

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000
Right-of-use assets		
Properties	**242,234**	219,257
Equipment	**86,841**	80,967
Land use rights	**3,469,422**	3,580,871
Port line and sea area use rights	**422,594**	441,182
	4,221,091	4,322,277
Lease liabilities		
Current	**63,277**	44,328
Non-current	**181,214**	166,896
	244,491	211,224

Increase of the cost of right-of-use assets during the 2019 financial year was RMB100,236,000.

8. Leases (continued)

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Depreciation and amortisation charges of right-of-use assets (Note 29)		
Properties	**61,033**	–
Equipment	**3,498**	–
Land use rights	**106,041**	–
Port line and sea area use rights	**11,303**	–
	181,875	–
Interest portions of lease liabilities	**13,302**	–
Expenses relating to short-term leases	**15,122**	–
Expenses relating to leases of low-value assets that are not shown above as short-term leases	**5,722**	–
Expenses relating to variable lease payments not included in lease liabilities	**49,212**	–

9. Subsidiaries

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2019 is RMB6,726,742,000 of which RMB2,265,595,000 is for XPD and RMB4,461,147,000 is attributed to Xiamen Terminal Group.

The total comprehensive income for non-controlling interests as at 31 December 2019 is RMB389,075,000 of which RMB147,964,000 is for XPD and RMB241,111,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests for year ended 31 December 2019 is RMB332,260,000 of which RMB76,615,000 is for XPD and RMB255,645,000 is attributed to Xiamen Terminal Group.

Set out below are the summarised financial information for XPD and Xiamen Terminal Group that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Xiamen Terminal Group		XPD	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Current assets	**1,008,422**	925,293	**3,781,990**	2,840,546
Current liabilities	**(1,678,105)**	(1,886,190)	**(3,818,362)**	(4,268,201)
Total net current liabilities	**(669,683)**	(960,897)	**(36,372)**	(1,427,655)
Non-current assets	**10,421,622**	10,711,928	**5,970,234**	5,723,759
Non-current liabilities	**(1,197,526)**	(1,206,799)	**(1,472,591)**	(681,126)
Total net non-current assets	**9,224,096**	9,505,129	**4,497,643**	5,042,633
Net assets	**8,554,413**	8,544,232	**4,461,271**	3,614,978
Equity attributable to owners	**6,843,808**	6,802,172	**3,440,688**	2,709,518
Non-controlling interests	**1,710,605**	1,742,060	**1,020,583**	905,460

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Xiamen Terminal Group		XPD	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**2,060,049**	1,980,756	**12,146,774**	11,145,143
Profit before income tax	**667,717**	655,766	**310,547**	184,071
Income tax expense	**(129,993)**	(174,197)	**(97,344)**	(76,603)
Profit after income tax	**537,724**	481,569	**213,203**	107,468
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**537,724**	481,569	**213,203**	107,468
Total comprehensive income allocated to non- controlling interests	**38,795**	41,481	**94,866**	77,493
Dividend paid to non-controlling interests	**70,250**	81,830	**74,225**	63,848

Summarised cash flows

	Xiamen Terminal Group		XPD	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash generated from operations	**1,149,686**	811,756	**757,980**	563,885
Interest paid	**(102,600)**	(119,449)	**(257,655)**	(133,428)
Income tax paid	**(184,589)**	(181,300)	**(97,472)**	(87,371)
Net cash generated from operating activities	**862,497**	511,007	**402,853**	343,086
Net cash used in investing activities	**(133,351)**	(223,924)	**(501,088)**	(275,818)
Net cash (used in)/generated from financing activities	**(682,071)**	(273,097)	**725,098**	(10,369)
Net increase in cash and cash equivalents	**47,075**	13,986	**626,863**	56,899
Cash and cash equivalents at beginning of year	**221,563**	207,555	**356,990**	298,672
Exchange gains on cash and cash equivalents	**6**	22	**1,439**	1,419
Cash and cash equivalents at end of year	**268,644**	221,563	**985,292**	356,990

The information above is the amount before inter-company eliminations.

Particulars of the subsidiaries are set out in Note 37(a).

10. Interests in joint ventures

	2019 RMB'000	2018 RMB'000
At 1 January	**68,993**	73,286
Addition	**36,319**	9,000
Share of results	**1,708**	(10,870)
Disposal	**–**	(2,423)
At 31 December	**107,020**	68,993

The profit/(loss), assets (including goodwill) and liabilities of joint ventures belong to the Group is shown as following:

	2019 RMB'000	2018 RMB'000
Revenue	**45,236**	37,888
Profit/(loss) for the year	**1,708**	(10,870)

	2019 RMB'000	2018 RMB'000
Total assets	**236,267**	203,533
Total liabilities	**129,247**	134,540

All of the joint ventures are established in China and the significant financial and operating decisions shall be agreed by all the owners of the joint ventures.

As at 31 December 2019, there are no significant commitments and contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2018: Nil).

All the joint ventures are private companies and there are no quoted market prices available for their shares.

Particulars of the Group's joint ventures are set out in Note 37(b).

11. Interests in associates

	2019 RMB'000	2018 RMB'000
Share of net assets	36,784	38,752
Unlisted investments, at cost	25,212	25,212

Movement in investments in associates is set out as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	38,752	50,071
Addition	–	1,750
Assets classified as held-for-sale	–	(12,456)
Dividends received	(5,360)	(3,049)
Share of results before income tax expense	4,523	3,837
Share of income tax expense	(1,131)	(1,401)
	3,392	2,436
At 31 December	36,784	38,752

The profit, assets (including goodwill) and liabilities belong to the Group is shown as following:

	2019 RMB'000	2018 RMB'000
Revenue	31,909	41,556
Profit for the year	3,392	2,436

	2019 RMB'000	2018 RMB'000
Total assets	46,098	43,208
Total liabilities	9,314	4,456

Particulars of the Group's associates are set out in Note 37(c).

All the associates are private companies and there are no quoted market prices available for their shares.

11. Interests in associates (continued)

There are no contingent liabilities relating to the Group's interest in the associates.

There is no single associate that is individually significant to the Group.

12. Fair value measurement of financial assets

	2019 RMB'000	2018 RMB'000
At 1 January	**963,230**	777,132
Net fair value gains/(losses) on listed equity investments	**4,295**	(24,555)
Disposals of listed equity investments	**–**	(55,973)
Net fair value gains on unlisted equity investments	**825**	–
Purchases of wealth management products	**266,846**	1,576,760
Net fair value losses on wealth management products (a)	**(44,000)**	(6,000)
Disposals of wealth management products	**(809,102)**	(1,371,299)
Increase in notes receivable	**23,740**	67,165
At 31 December	**405,834**	963,230

Fair value measurement of financial assets include the following:

	2019 RMB'000	2018 RMB'000
Financial assets at fair value through other comprehensive income		
– Equity investments listed in the mainland of PRC	**48,246**	43,951
– Unlisted equity investments	**4,978**	4,153
– Notes receivable	**90,905**	67,165
	144,129	115,269
Financial assets at fair value through profit or loss		
– Wealth management products (a)	**261,705**	847,961
	405,834	963,230

(a) As at 31 December 2019, the Group held certain wealth management products of RMB261,705,000 (31 December 2018: RMB847,961,000). For the year ended 31 December 2019, fair value losses with an amount of RMB44,000,000 (year ended 31 December 2018: RMB6,000,000) were recognised through profit or loss for certain past due wealth management products with carrying amount of RMB120,000,000 (31 December 2018: RMB20,000,000).

13. Deferred income tax

Movements in deferred income tax assets and liabilities during the year are as follows:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
At 1 January	264,762	278,153
Credited/(charged) to		
— consolidated income statement (Note 31)	3,699	(13,391)
At 31 December	268,461	264,762
To be recovered:		
Within 12 months	8,131	7,909
After more than 12 months	260,330	256,853
	268,461	264,762
Deferred income tax liabilities		
At 1 January	421,831	452,811
(Credited)/charged to		
— consolidated income statement (Note 31)	(1,213)	(11,998)
— other comprehensive income (Note 25)	1,074	(18,982)
At 31 December	421,692	421,831
To be settled:		
Within 12 months	10,398	11,997
After more than 12 months	411,294	409,834
	421,692	421,831

13. Deferred income tax (continued)

The principal components of deferred income tax assets and liabilities provided for are as follows:

	Revaluation in connection with businesses contributed to a subsidiary (a) RMB'000	**Deferred income (b) RMB'000**	**Impairment of assets and provisions RMB'000**	**Others RMB'000**	**Total RMB'000**
Deferred income tax assets at 1 January 2019	**190,581**	**13,796**	**33,559**	**26,826**	**264,762**
(Charged)/credited to consolidated income statement (Note 31)	**(5,778)**	**(703)**	**2,386**	**7,794**	**3,699**
Deferred tax assets at 31 December 2019	**184,803**	**13,093**	**35,945**	**34,620**	**268,461**

	Revaluation in connection with businesses contributed to a subsidiary (a) RMB'000	Deferred income (b) RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2018	190,136	16,039	33,476	32,502	278,153
(Charged)/credited to consolidated income statement (Note 31)	(5,555)	(2,243)	83	(5,676)	(13,391)
Deferred tax assets at 31 December 2018	190,581	13,796	33,559	26,826	264,762

The movements of the deferred income tax assets are charged or credited to the consolidated income statement.

13. Deferred income tax (continued)

(a) The balance represents i) the deferred income tax assets of RMB41,177,000 (2018: RMB42,464,000) arising from the revaluation difference resulting from the Berth No. 6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions, and ii) the deferred income tax assets of RMB143,626,000 (2018: RMB148,117,000) arising from the revaluation difference resulting from the Berth No. 4–5 of Haicang Port and Berth No. 5–11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. Due to business combination under common control, the accounting base of these assets are equal to carrying amount in the consolidated financial statements, while the valuation amounts form the tax base for calculating the future taxable profits.

(b) The balance mainly represents the deferred income tax assets arising from the government grant received by the Group.

Deferred tax liabilities

	Interest capitalized RMB'000	Fair value gain on financial assets at fair value through other comprehensive income RMB'000	Gain on land and asset resumption (c) RMB'000	Fair value adjustments arising from acquisition of subsidiaries (d) RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2019	–	9,671	129,271	282,889	421,831
Charged/(credited) to consolidated income statement (Note 31)	9,185	–	(2,723)	(7,675)	(1,213)
Charged to other comprehensive income	–	1,074	–	–	1,074
Deferred income tax liabilities at 31 December 2019	9,185	10,745	126,548	275,214	421,692

13. Deferred income tax (continued)

Deferred tax liabilities

	Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd ("Haitian Terminal") (a) RMB'000	Fair value gain on financial assets at fair value through other comprehensive income RMB'000	Gain on land and asset resumption (c) RMB'000	Fair value adjustments arising from acquisition of subsidiaries (d) RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2018	640	28,653	131,997	291,521	452,811
Credited to consolidated income statement (Note 31)	(640)	–	(2,726)	(8,632)	(11,998)
Credited to other comprehensive income	–	(18,982)	–	–	(18,982)
Deferred income tax liabilities at 31 December 2018	–	9,671	129,271	282,889	421,831

The movements of the above deferred income tax liabilities are charged or credited to the consolidated income statement, except for the movement in deferred tax liabilities relating to the fair value gain on financial assets at fair value through other comprehensive income which were debited to other comprehensive income statement.

(c) The balance represents the temporary differences after disposal of land and certain assets situated thereon (such as infrastructure) of Dongdu Berth No. 1, No. 2, No. 3 and No. 4.

(d) The balance represents the deferred tax liability of RMB275,214,000 (2018: RMB282,889,000) resulting from the revaluation surplus arising from establishment of Xiamen Terminal Group in 2013, the acquisition of Xiamen Haicang International Container Terminals Limited ("XHICT") in 2016, the acquisition of Xiamen International Container Terminals Limited ("XICT") in 2017 and the acquisition of Shishi Huajin in 2017.

Deferred tax assets have not been recognised for tax losses as it is not considered probable that taxable profits will be available for utilising the tax losses arising from subsidiaries.

13. Deferred income tax (continued)

Tax losses for which no deferred tax assets have been recognised will expire within 5 years as set out below:

	2019 RMB'000	2018 RMB'000
2019	–	2,922
2020	88,189	88,189
2021	85,031	85,031
2022	167,127	167,127
2023	283,415	283,415
2024	303,547	–
	927,309	626,684

14. Inventories

	2019 RMB'000	2018 RMB'000
Raw materials	67,506	63,041
Finished goods and merchandise	1,159,256	1,040,204
Spare parts and consumables	3,556	11,989
	1,230,318	1,115,234
Less: Provision for impairment	(20,583)	(12,214)
	1,209,735	1,103,020

The raw materials primarily comprise fuel and oil. Finished goods and merchandise primarily represent coal, steel and building materials for the Group's business of merchandise trading and building materials. The spare parts and consumables are mainly for repair and maintenance of port facilities and other equipment.

The cost of inventories recognised as expense and included in cost of sales and operating expenses of the Group amounted to RMB10,324,752,000 (2018: RMB9,462,170,000) (Note 29).

15. Accounts receivable

	2019 RMB'000	2018 RMB'000
Accounts receivable	**1,117,903**	1,066,637
Less: Expected credit loss allowance of receivables	**(86,803)**	(105,720)
	1,031,100	960,917
Due from fellow subsidiaries (Note 36(b))	**13,558**	9,000
Due from joint ventures (Note 36(b))	**34**	2,160
Due from associates (Note 36(b))	**931**	915
Due from other related parties (Note 36(b))	**41,411**	34,848
	1,087,034	1,007,840

There is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

Majority of the Group's revenues is on open account terms and in accordance with the terms specified in the contracts governing the relevant transactions. A credit period, which may be extended for up to six months, may be granted to large or long-established customers with good repayment histories. Revenues from small, new and short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

For the receivables with pledged collaterals, the fair value of pledged collaterals are sufficient to cover the carrying amounts of the respective receivables.

15. Accounts receivable (continued)

Ageing analysis of accounts receivable (including amounts due from fellow subsidiaries, joint ventures, associates and other related parties) based on invoice date at respective balance sheet dates are as follows:

	2019 **RMB'000**	2018 RMB'000
Less than 6 months	**701,241**	865,099
6 months to 1 year	**360,617**	38,911
1 year to 2 years	**20,118**	52,695
2 years to 3 years	**1,851**	62,449
Over 3 years	**90,010**	94,406
	1,173,837	1,113,560
Less: Expected credit loss allowance of receivables	**(86,803)**	(105,720)
	1,087,034	1,007,840

The amounts due from fellow subsidiaries, joint ventures, associates and other related parties are unsecured, interest free and subject to agreed credit terms.

As at 31 December 2019, the Group's trade receivables of RMB701,241,000 (2018: RMB865,099,000) were undue or not yet mature and not impaired.

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2019, the Group's accounts receivable of RMB360,617,000 (2018: RMB38,911,000) were past due but not impaired.

15. Accounts receivable (continued)

As at the balance sheet date, the ageing of these receivables is as follows:

	2019 RMB'000	2018 RMB'000
Less than 6 months	**701,241**	865,099

The remaining impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

As at the balance sheet date, the ageing of these impaired receivables is as follows:

	2019 RMB'000	2018 RMB'000
1 year to 2 years	**20,118**	52,695
2 years to 3 years	**1,851**	62,449
Over 3 years	**90,010**	94,406
	111,979	209,550

The carrying amounts of accounts receivable are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**1,012,961**	932,897
USD	**74,073**	74,943
	1,087,034	1,007,840

Movements on the expected credit loss allowance of receivables of accounts receivable are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**105,720**	115,163
Reversal of expected credit loss allowance	**(18,505)**	(1,813)
Uncollectible receivables written off during the year	**(412)**	(7,630)
At 31 December	**86,803**	105,720

15. Accounts receivable (continued)

The creation and release of provision for impaired receivables have been included in "net impairment reversals/(losses) on financial assets" in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

16. Other receivables and prepayments

	2019 RMB'000	2018 RMB'000
Other receivables (a)	**360,676**	341,079
Advances to suppliers	**514,385**	445,989
Less: Expected credit loss allowance of receivables	**(29,249)**	(11,125)
	845,812	775,943
Due from parent company (Note 36(b))	**29,087**	32,027
Due from fellow subsidiaries (Note 36(b))	**880**	502
Due from joint ventures (Note 36(b))	**2,061**	2,045
Due from other related parties (Note 36(b))	**1,462**	1,813
Prepayments and deposits	**39,767**	94,407
	919,069	906,737
Less: Long-term receivables and prepayments		
– Prepayment for operating lease in the Qingzhou operating area (b)	**–**	(55,731)
– Input VAT to be deducted	**–**	(6,742)
– Prepayment for acquisition of property, plant and equipment	**(1,537)**	(1,848)
	(1,537)	(64,321)
Current portion	**917,532**	842,416

(a) As at 31 December 2019, balance mainly represents receivable for Build-Transfer ("BT") project of RMB49,574,000 (2018: RMB58,313,000) and VAT to be deducted of RMB218,460,000 (2018: RMB225,604,000).

(b) The Company and its subsidiary, Fuzhou Haiying Port Co., Ltd, entered into a ten-year lease agreement with Fuzhou Zhongying Gangwu Co., Ltd. Prepayments of RMB33,269,000 (31 December 2018: RMB33,269,000) and long term prepayments of RMB55,731,000 (31 December 2018: RMB55,731,000) were reclassified to right-of-use assets on adoption of HKFRS 16.

16. Other receivables and prepayments (continued)

Movements on the expected credit loss allowance of receivables the Group's other receivables and prepayments are as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**11,125**	10,164
Net provision of expected credit loss allowance	**18,363**	1,490
Uncollectible receivables written off during the year	**(239)**	(529)
At 31 December	**29,249**	11,125

The net effect of the creation and release of provision for impaired receivables have been included in "net expected debit/(credit) profit/(losses) allowance on financial assets" in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2019 is the carrying amount of each class of receivables and prepayments mentioned above. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2019.

17. Term deposits with initial term over three months

	2019 **RMB'000**	2018 RMB'000
Term deposits denominated in RMB	**650,187**	10,000

The weighted average effective interest rate on term deposits, with maturity ranging from 3 months to 1 year, is 1.75% (2018: 1.35%) per annum.

The maximum exposure to credit risk in respect of term deposits with initial term over three months at the balance sheet date is the carrying amounts of the related deposits.

18. Restricted cash

The restricted cash was held in designated bank accounts as for the maintenance of staff quarters and as guarantee deposits for letters of credit and letters of guarantee.

The maximum exposure to credit risk in respect of restricted cash at the balance sheet date is the carrying amount of the restricted cash balances.

19. Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash at bank and in hand	**2,533,619**	691,633
Less: Term deposits with initial term over three months (Note 17)	**(650,187)**	(10,000)
Cash and cash equivalents	**1,883,432**	681,633
Maximum exposure to credit risk (net of cash in hand)	**1,883,432**	681,633
Denominated in:		
RMB	**1,800,041**	649,727
USD	**81,775**	30,067
HKD	**1,061**	1,304
JPY	**553**	534
EUR	**2**	1
	1,883,432	681,633

The conversion of the Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20. Accounts and notes payable

	2019 RMB'000	2018 RMB'000
Accounts payable	**800,193**	704,061
Due to parent company (Note 36(b))	**2,136**	1,920
Due to fellow subsidiaries (Note 36(b))	**82,697**	81,653
Due to joint ventures (Note 36(b))	**592**	894
Due to other related parties (Note 36(b))	**11,016**	11,527
Notes payable	**367,571**	196,922
	1,264,205	996,977

20. Accounts and notes payable (continued)

Ageing analysis of accounts and notes payable (including amounts due to parent company, fellow subsidiaries, joint ventures and other related parties) based on invoice date at respective balance sheet dates are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	1,158,436	872,930
1 year to 2 years	69,941	70,122
2 years to 3 years	19,734	17,179
Over 3 years	16,094	36,746
	1,264,205	996,977

Notes payable are with average maturity dates of within 6 months.

The amounts due to parent company, fellow subsidiaries, joint ventures, and other related parties are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the Group's accounts and notes payable are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	1,075,689	897,770
USD	188,516	99,207
	1,264,205	996,977

The carrying amounts of the Group's accounts and notes payable approximate their fair values.

21. Other payables and accruals

	2019 RMB'000	2018 RMB'000
Due to parent company (Note 36(b))	**78**	430
Due to fellow subsidiaries (Note 36(b))	**3,887**	4,049
Due to joint venture (Note 36(b))	**307**	394
Due to associates (Note 36(b))	**16,000**	9,020
Due to other related parties (Note 36(b))	**860**	602
Payables for purchases of property, plant and equipment and construction-in-progress	**68,283**	101,933
Salary and welfare payables	**242,621**	234,872
Customer deposits	**25,114**	35,535
Accrued expenses	**3,828**	8,024
Dividends payable to		
— shareholders of the Company (Note 36(b))	**3,111**	3,111
— non-controlling shareholders of subsidiaries (Note 36(b))	**50,650**	60,792
Interest payables	**67,298**	68,752
Payables for business combination	**62,561**	114,511
Other payables	**50,507**	63,488
	595,105	705,513
Less: Long-term payables and advances		
— Others	**(1,744)**	(1,782)
Current portion	**593,361**	703,731

As at 31 December 2019, the payables due to parent company, fellow subsidiaries, joint venture, associates and other related parties are unsecured, interest free and without fixed repayment term, except for borrowings of RMB16,000,000 from associates bearing interest of 4.35% with fixed repayment.

The carrying amount of other payables of the Group approximates their fair value.

22. Deferred government grants and income

	2019 RMB'000	2018 RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	**5,361**	6,822
Government grants on purchases of property, plant and equipment (b)	**114,491**	115,408
	119,852	122,230

(a) Prior to 2008, the Group purchased certain domestic manufactured equipment. Pursuant to Cai Shui Zi [1999] Document No. 290 "The Notice concerning the Reduction in Corporate Income Tax for Purchases of Domestic Manufactured Equipment" issued by the Ministry of Finance and State Tax Bureau, part of such purchase costs could be utilised to reduce the income tax in future.

Such tax credit available was deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant equipment.

(b) The Group received certain government grants in connection with the purchases of property, plant and equipment, land use right and intangible asset for the further development of the ports in Xiamen. These grants are deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment, land use rights and intangible asset, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

23. Borrowings

	2019 RMB'000	2018 RMB'000
Non-current		
Long-term bank borrowings	1,057,549	493,169
Debentures (c)	2,298,611	2,591,711
Finance lease liabilities	–	80,967
	3,356,160	3,165,847
Current		
Short-term bank borrowings	2,247,013	2,062,212
Long-term bank borrowings — current portion	35,694	204,993
Debentures (d)	1,799,467	1,097,207
	4,082,174	3,364,412
Total borrowings	7,438,334	6,530,259
Representing:		
— guaranteed (a)	456,031	387,093
— secured (b)	105,709	111,717
— unsecured	6,876,594	6,031,449
Total borrowings	7,438,334	6,530,259

(a) As at 31 December 2019, a bank borrowing of RMB20,406,000 was guaranteed by China Construction Bank (31 December 2018: RMB28,751,000); Bank borrowings of RMB435,625,000 was guaranteed by several non-controlling shareholders of several subsidiaries (31 December 2018: RMB358,342,000).

23. Borrowings (continued)

(b) As at 31 December 2019, bank borrowings of RMB58,709,000 were secured by land use rights and bank borrowings of RMB47,000,000 were secured by sea use rights.

(c) On 26 April 2018, the Company issued the first tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 4.67% per annum (the "2018 XIP First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "2018 XIP First Tranche Corporate Bonds", at the end of the third year of the term, XIP is entitled to adjust the interest rate for the remaining term and the holders of the "2018 XIP First Tranche Corporate Bonds" may sell back all or part of their bonds to the Company at the nominal value.

On 12 November 2018, the Company issued the second tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB900,000,000 at a fixed interest rate of 4.08% per annum (the "2018 XIP Second Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "2018 XIP Second Tranche Corporate Bonds", at the end of the third year of the term, XIP is entitled to adjust the interest rate for the remaining term and the holders of the "2018 XIP Second Tranche Corporate Bonds" may sell back all or part of their bonds to the Company at the nominal value.

On 29 June 2016, XPD issued the first tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 3.25% per annum (the "XPD First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XPD First Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to adjust the interest rate for the remaining term and the holders of the XPD First Tranche Corporate Bonds may sell back all or part of their bonds to XPD at the nominal value. As at 31 December 2019, the holders of the XPD First Tranche Corporate Bonds have completed the registration and sold back of the XPD First Tranche Corporate Bonds with a total principal amount of RMB510,000,000. From then on, the holders no longer own the right to sell back the rest of unpurchased part to the issuer. Therefore, the rest part of the XPD First Tranche Corporate Bonds with a total principal amount of RMB90,000,000 was reclassified into long-term debentures in this period. The interest rate per annum remains unchanged.

23. Borrowings (continued)

(c) (continued)

On 25 October 2016, XPD issued the second tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.02% per annum (the "XPD Second Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XPD Second Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to adjust the interest rate for the remaining term and the holders of the XPD Second Tranche Corporate Bonds may sell back all or part of their bonds to XPD at the nominal value. As at 31 December 2019, the holders of the XPD Second Tranche Corporate Bonds have completed the registration and sold back of the XPD Second Tranche Corporate Bonds with a total principal amount of RMB386,700,000. From then on, the holders no longer own the right to sell back the remaining balance to the issuer. Therefore, the rest part of the XPD Second Tranche Corporate Bonds with a total principal amount of RMB113,300,000 was reclassified into long-term debentures in this period. The interest rate changed to 3.25% per annum and would stay constant in the remaining duration of two years.

(d) On 15 July 2019, the Company issued the fourth tranche of the Super Short-term Notes with a term of 270 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 3.10% per annum (the "2019 Fourth Tranche Super Short-term Notes").

On 23 August 2019, the Company issued the fifth tranche of the Super Short-term Notes with a term of 270 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.18% per annum (the "2019 Fifth Tranche Super Short-term Notes").

On 18 December 2019, the Company issued the sixth tranche of the Super Short-term Notes with a term of 90 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.30% per annum (the "2019 Sixth Tranche Super Short-term Notes").

23. Borrowings (continued)

(d) (continued)

On 22 September 2017, the Company issued the first tranche of Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 4.69% per annum (the "2017 XIP First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "2017 XIP First Tranche Corporate Bonds", at the end of the third year of the term, XIP is entitled to adjust the interest rate for the remaining term and the holders of the "2017 XIP First Tranche Corporate Bonds" may sell back all or part of their bonds to the Company at the nominal value.

Total borrowings at the respective balance sheet dates are repayable as follows:

	2019 RMB'000	2018 RMB'000
Borrowings repayable		
– within 1 year	**4,082,174**	3,364,412
– between 1 and 2 years	**2,355,220**	531,970
– between 2 and 5 years	**515,628**	2,204,485
– over 5 years	**485,312**	429,392
	7,438,334	6,530,259

The Group's borrowings as at the respective balance sheet dates are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**7,417,927**	6,501,508
USD	**20,407**	28,751
Total borrowings	**7,438,334**	6,530,259

23. Borrowings (continued)

The weighted average effective interest rates at the respective balance sheet dates are as follows:

	2019	2018
Borrowings denominated in		
— RMB	3.86%	4.15%
— USD	4.98%	3.25%

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of non-current borrowings at the respective balance sheet dates are as follows:

	2019 RMB'000	2018 RMB'000
Carrying amounts	3,356,160	3,165,847
Fair values	3,376,198	3,201,433

The fair values of non-current debentures are based on quoted market prices in active markets at the balance sheet date, and are within level 1 of the fair value hierarchy.

The fair values of non-current bank borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, and are within level 2 of the fair value hierarchy.

24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2019 and 2018	**1,739,500**	**986,700**	**2,726,200**

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to owners at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. In addition, Xiamen Port Holding transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

The domestic shares and H-shares rank pari passu in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the year ended 31 December 2019, there was no movement in the share capital of the Company (2018: Nil).

25. Reserves

	Note	Other reserves: Capital surplus RMB'000 (b)	Other reserves: Statutory surplus reserve RMB'000	Other reserves: Investment revaluation reserve RMB'000	Other reserves: Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018		(689,304)	315,122	52,216	(321,966)	2,816,018	2,494,052
Changes in the fair value of financial assets at fair value through other comprehensive income		–	–	(5,573)	(5,573)	–	(5,573)
– Gross		–	–	(7,431)	(7,431)	–	(7,431)
– Related deferred income tax		–	–	1,858	1,858	–	1,858
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		–	–	(38,530)	(38,530)	38,530	–
– Gross		–	–	(51,373)	(51,373)	51,373	–
– Related deferred income tax		–	–	12,843	12,843	(12,843)	–
Profit for the year		–	–	–	–	244,750	244,750
2017 final dividends		–	–	–	–	(95,417)	(95,417)
Profit appropriation	(a)	–	29,117	–	29,117	(29,117)	–
Balance at 31 December 2018		(689,304)	344,239	8,113	(336,952)	2,974,764	2,637,812
Representing:							
– 2018 proposed final dividends		–	–	–	–	54,524	54,524
– Others		(689,304)	344,239	8,113	(336,952)	2,920,240	2,583,288
		(689,304)	344,239	8,113	(336,952)	2,974,764	2,637,812

25. Reserves (continued)

	Note	Other reserves					
		Capital surplus RMB'000 (b)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019		(689,304)	344,239	8,113	(336,952)	2,974,764	2,637,812
Changes in the fair value of financial assets at fair value through other comprehensive income		–	–	3,221	3,221	–	3,221
– Gross		–	–	4,295	4,295	–	4,295
– Related deferred income tax		–	–	(1,074)	(1,074)	–	(1,074)
Disposal of partial ownership interest in a subsidiary without loss of control		14,214	–	–	14,214	–	14,214
Subscription of new shares of a listed subsidiary resulting in dilution of non-controlling interests (Note 37(a))		40,777	–	–	40,777	–	40,777
Profit for the year		–	–	–	–	279,684	279,684
2018 final dividends		–	–	–	–	(54,524)	(54,524)
Profit appropriation	(a)	–	22,306	–	22,306	(22,306)	–
Balance at 31 December 2019		(634,313)	366,545	11,334	(256,434)	3,177,618	2,921,184
Representing:							
– 2019 proposed final dividends		–	–	–	–	68,155	68,155
– Others		(634,313)	366,545	11,334	(256,434)	3,109,463	2,853,029
		(634,313)	366,545	11,334	(256,434)	3,177,618	2,921,184

(a) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's registered share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's issued capital after such issuance. The current year profit appropriation represented only the Company's profit appropriation to statutory surplus reserve.

25. Reserves (continued)

(a) (continued)

As at 31 December 2019, the Group's retained earnings amounted to RMB3,177,618,000, in which were statutory surplus reserves totalling RMB674,839,000 of its subsidiaries appropriated from their respective retained earnings.

(b) The opening balance as at 1 January 2019 was mainly resulted from the re-organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts; and the establishment of Xiamen Terminal Group in 2013, when the XPHG injected certain port assets into the Group.

26. Revenues and segment information

(a) Revenues and other income

The Group's revenues and other income are analysed as follows:

	2019 RMB'000	2018 RMB'000
Revenues	**13,933,106**	12,916,756
Other income		
Government subsidies	**226,289**	203,258
Rental income	**54,453**	48,536
Dividend income	**12,233**	9,655
Others	**26,005**	64,777
	318,980	326,226
Total	**14,252,086**	13,242,982

26. Revenues and segment information (continued)

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer of the Company that makes strategic decisions.

The chief operating decision-maker considers the business from service/product perspective and assesses the performance of the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) comprehensive port logistic services; (4) manufacturing and selling of building materials; and (5) merchandise trading business. Substantially all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and substantially all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, the chief operating decision-maker did not evaluate segment on geographical basis.

The segment information for 2019 has incorporated the impact of HKFRS 16 "Leases" which became effective on 1 January 2019 but as permitted by the new leasing standard, the comparative segment information for 2018 has not been restated. Please refer to Note 2.2(ii) and (iii) for the main impact of adopting the new leasing standard on the assets and liabilities of the Group. The impact on the financial performance of the Group or the individual segments was not significant.

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment results provided to the chief operating decision-maker for the reportable segments for the year ended 31 December 2019 and 2018 are as follows:

	For the year ended 31 December 2019					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Manufacturing and selling of building materials RMB'000	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	2,039,380	788,130	1,171,323	457,651	9,771,674	14,228,158
Inter-segment revenues	–	–	(295,052)	–	–	(295,052)
Revenues	2,039,380	788,130	876,271	457,651	9,771,674	13,933,106
Operating profit	749,031	119,262	176,525	3,729	75,931	1,124,478
Finance income						19,384
Finance costs						(248,044)
						895,818
Share of profits less losses of joint ventures	234	–	1,474	–	–	1,708
Share of profits less losses of associates	–	–	1,819	1,573	–	3,392
Profit before income tax						900,918
Income tax expense						(232,159)
Profit for the year						668,759
Other information:						
Depreciation	340,042	140,269	82,404	4,267	6,253	573,235
Amortisation	126,809	41,700	18,865	75	4,043	191,492
Net provision for/(reversal of) impairment of						
– inventories	227	179	–	(123)	8,283	8,566
– property, plant and equipment	–	186	–	–	–	186
– receivables and advances to suppliers	(593)	(3,265)	(1,109)	(2,135)	6,960	(142)

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment results provided to the chief operating decision-maker for the reportable segments for the year ended 31 December 2019 and 2018 are as follows: (continued)

	For the year ended 31 December 2018					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Manufacturing and selling of building materials RMB'000	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	2,027,462	699,639	1,091,057	383,786	9,003,670	13,205,614
Inter-segment revenues	–	–	(288,858)	–	–	(288,858)
Revenues	2,027,462	699,639	802,199	383,786	9,003,670	12,916,756
Operating profit	817,044	55,643	170,778	907	64,911	1,109,283
Finance income						21,273
Finance costs						(312,536)
						818,020
Share of profits less losses of joint ventures	(2,115)	–	(8,755)	–	–	(10,870)
Share of profits less losses of associates	–	–	3,777	(1,341)	–	2,436
Profit before income tax						809,586
Income tax expense						(255,196)
Profit for the year						554,390
Other information:						
Depreciation	340,049	144,523	77,180	4,508	6,135	572,395
Amortisation	90,279	23,596	7,085	166	3,990	125,116
Net provision for/(reversal of) impairment of						
– inventories	(31)	98	212	–	7,821	8,100
– property, plant and equipment	–	1,313	–	–	–	1,313
– receivables and advances to suppliers	(526)	(2,048)	5,666	(608)	(2,807)	(323)

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment assets and liabilities provided to the chief operating decision-maker for the reportable segments as at 31 December 2019 and 2018 is as follows:

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Manufacturing and selling of building materials RMB'000	Merchandise trading business RMB'000	Total RMB'000
As at 31 December 2019						
Segment assets	**12,542,265**	**4,754,379**	**2,669,361**	**236,128**	**2,056,522**	**22,258,655**
Including:						
Interests in joint ventures	**6,020**	**–**	**101,000**	**–**	**–**	**107,020**
Interests in associates	**–**	**–**	**30,619**	**6,165**	**–**	**36,784**
Additions to non-current assets	**209,289**	**168,974**	**391,650**	**2,197**	**944**	**773,054**
Segment liabilities	**660,089**	**272,399**	**638,257**	**97,387**	**981,960**	**2,650,092**
As at 31 December 2018						
Segment assets	11,556,575	3,749,907	2,591,340	232,339	1,894,103	20,024,264
Including:						
Interests in joint ventures	3,746	–	65,247	–	–	68,993
Interests in associates	–	–	33,199	5,553	–	38,752
Additions to non-current assets	268,613	79,500	335,207	1,727	16,744	701,791
Segment liabilities	487,694	291,168	684,576	90,541	673,943	2,227,922

The chief operating decision-maker assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the results for each operating segment that is reviewed by the chief operating decision-maker. Other information provided, except as noted below, to the chief operating decision-maker is measured in a manner consistent with that in the consolidated financial statements.

Segment assets mainly exclude deferred income tax assets, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable and borrowings. These are part of the reconciliation to total balance sheet liabilities.

26. Revenues and segment information (continued)

(b) Segment information (continued)

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated income statement.

Reportable segments' assets are reconciled to total assets as follows:

	2019 RMB'000	2018 RMB'000
Total segment assets	**22,258,655**	20,024,264
Add: Deferred income tax assets	**268,461**	264,762
Financial assets at fair value through profit or loss	**261,705**	847,961
Financial assets at fair value through other comprehensive income	**144,129**	115,269
Total assets per consolidated balance sheet	**22,932,950**	21,252,256

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2019 RMB'000	2018 RMB'000
Total segment liabilities	**2,650,092**	2,227,922
Add: Deferred income tax liabilities	**421,692**	421,831
Taxes payable	**48,706**	103,579
Borrowings	**7,438,334**	6,530,259
Total liabilities per consolidated balance sheet	**10,558,824**	9,283,591

27. Other losses — net

	2019 RMB'000	2018 RMB'000
Net fair value losses on financial assets at fair value through profit or loss (Notes 12)	**(44,000)**	(6,000)
Gains on fair value movements of derivatives	**21,946**	—
Gains on disposal of held-for-sale assets	**10,313**	—
Net gains/(losses) on disposal of property, plant and equipment and land use rights	**6,235**	(758)
Others	**1,359**	924
	(4,147)	(5,834)

28. Employee benefit expenses

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	**865,127**	830,266
Welfare, medical and other expenses	**119,433**	126,532
Contributions to pension plans (a)	**136,847**	125,368
Contributions to supplementary pension scheme	**27,144**	22,455
	1,148,551	1,104,621

(a) Pensions — defined contribution plans

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 18.5% to 26% (2018: 18.5% to 26%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees. The Group has no further obligation for payments of retirement and other post-retirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

28. Employee benefit expenses (continued)

(b) Emoluments of directors, supervisors and senior management

The emoluments received by individual directors and supervisors are as follows:

Year ended 31 December 2019

Name	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Cai Liqun	–	297	86	548	931
Fang Yao	–	150	44	493	687
Chen Zhaohui	–	295	84	553	932
Ke Dong	–	130	42	562	734
Non-executive Directors:					
Chen Zhiping	116	–	–	–	116
Miao Luping	116	–	–	–	116
Fu Chengjing	116	–	–	–	116
Huang Zirong	116	–	–	–	116
Bai Xueqin	116	–	–	–	116
Independent Non-executive Directors:					
Liu Feng	116	–	–	–	116
Lin Pengjiu	116	–	–	–	116
You Xianghua	116	–	–	–	116
Jin Tao	116	–	–	–	116
Ji Wenyuan	116	–	–	–	116
Supervisors:					
Du Hongjia	26	–	–	–	26
Zhang Guixian	73	–	–	–	73
Liao Guosheng	468	52	77	357	954
Liu Xiaolong	14	4	6	–	24
Tang Jinmu	73	–	–	–	73
Xiao Zuoping	73	–	–	–	73
Wu Weijian	252	42	52	147	493
Senior Management:					
Xu Xubo	466	53	78	360	957
Chen Zhen	219	52	74	428	773
Board secretary:					
Cai Changzhen	183	52	67	314	616
	3,007	1,127	610	3,762	8,506

28. Employee benefit expenses (continued)

(b) Emoluments of directors, supervisors and senior management (continued)

Year ended 31 December 2018

Name	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Cai Liqun	–	303	82	621	1,006
Fang Yao	–	304	83	555	942
Chen Zhaohui	–	304	83	589	976
Ke Dong	–	385	80	320	785
Non-executive Directors:					
Miao Luping	63	–	–	–	63
Fu Chengjing	116	–	–	–	116
Huang Zirong	116	–	–	–	116
Chen Zhiping	116	–	–	–	116
Bai Xueqin	116	–	–	–	116
Chen Dingyu	29	–	–	–	29
Independent Non-executive Directors:					
Liu Feng	116	–	–	–	116
Lin Pengjiu	116	–	–	–	116
You Xianghua	116	–	–	–	116
Jin Tao	116	–	–	–	116
Ji Wenyuan	116	–	–	–	116
Supervisors:					
Zhang Guixian	73	–	–	–	73
Liao Guosheng	468	59	61	327	915
Wu Weijian	336	63	73	248	720
Su Yongzhong	18	–	–	–	18
Tang Jinmu	73	–	–	–	73
Xiao Zuoping	73	–	–	–	73
Senior Management:					
Xu Xubo	468	59	61	319	907
Chen Zhen	199	60	71	368	698
Board secretary:					
Cai Changzhen	183	47	67	320	617
	3,027	1,584	661	3,667	8,939

28. Employee benefit expenses (continued)

(b) Emoluments of directors, supervisors and senior management (continued)

During the year, no directors or supervisors of the Company have waived their emoluments and no emolument was paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including two (2018: three) directors and one supervisor (2018: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2018: one) individuals (the "Individuals") during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**790**	527
Contributions to pension plans	**152**	61
Discretionary bonuses	**788**	319
	1,730	907

During the year, no emoluments were paid by the Company to the individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the Individuals fall within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000 (equivalent to RMB896,000)	**1**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB1,344,000)	**1**	1

28. Employee benefit expenses (continued)

(c) Five highest paid individuals (continued)

Details of remuneration payable to members of senior management (excluding directors) of the Group presented by band during the year ended 31 December 2019 are as follows:

Remuneration by band*	Number of individuals	
	2019	2018
Nil to HK$1,000,000 (equivalent to RMB896,000)	3	3
HK$1,000,001 to HK$1,500,000 (equivalent to RMB1,344,000)	2	2

* To the nearest RMB100,000

29. Expenses by nature

	2019 RMB'000	2018 RMB'000
Cost of inventories sold/consumed (Note 14)	10,324,752	9,462,170
Employee benefit expenses (Note 28)	1,148,551	1,104,621
Distribution, transportation and labour outsourcing	463,316	400,801
Depreciation of		
— investment properties (Note 5)	7,418	6,214
— property, plant and equipment (Note 6)	565,817	566,181
Amortisation of		
— land use rights	—	104,469
— intangible assets (Note 7)	9,617	20,647
— right-of-use assets (Note 8)	181,875	—
Repairs and maintenance	96,818	96,331
Short-term or low-value (2018: all) operating lease rentals in respect of property, plant and equipment	70,056	120,137
General office expenses	54,942	49,158
Advertising and marketing expenses	54,749	49,853
Stamp duty and real estate tax	39,515	40,982
Dredging expenses	37,390	40,138
Insurance expenses	16,750	16,292
Net provision for impairment of		
— inventories	8,566	8,100
— property, plant and equipment	186	1,313
Project subcontract expenses	4,996	7,839
Auditors' remuneration		
— audit services	3,345	3,655
— non-audit services	75	75
Others	34,869	29,192
Total cost of sales, selling and marketing expenses and general and administrative expenses	13,123,603	12,128,188

30. Finance income and costs

	2019 **RMB'000**	2018 RMB'000
Interest income	**19,384**	21,273
Interests on borrowings	**(297,510)**	(322,407)
Interests on lease liabilities	**(13,302)**	–
Less: Amounts capitalised	**63,286**	13,329
Net foreign exchange losses	**(518)**	(3,458)
	(248,044)	(312,536)
Finance costs — net	**(228,660)**	(291,263)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowing costs for the year ended 31 December 2019 was 3.86% (2018: 4.31%) per annum.

31. Taxation

(a) Hong Kong profits tax

Trend Wood Investments Limited ("Trend Wood"), Xiamen Ocean Shipping Agency (Hong Kong) Limited ("Hong Kong Ocean Shipping Agency") and Xiamen Port Haiheng (Hong Kong) Limited ("Haiheng Hong Kong") are subsidiaries of the Company incorporated in Hong Kong, thus their applicable income tax rate is 16.5% (2018: 16.5%).

Hong Kong profits tax has not been provided as the estimated assessable profits deriving from Hong Kong are not material for the year ended 31 December 2019 (2018: Nil).

31. Taxation (continued)

(b) PRC corporate income tax

Approved by Xiamen Municipal Bureau of Finance, Xiamen Songyu Container Terminal Co.,Ltd. ("Songyu Terminal"), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2018. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).

Approved by Xiamen Municipal Bureau of Finance, XICT, a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2018. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).

Approved by State Administration of Taxation Xiamen Branch, Xiamen Haiyu Terminal Co.,Ltd. ("Haiyu"), a subsidiary of the Company, is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The income tax rate for the year ended 31 December 2019 is 12.5% (2018: 12.5%).

Approved by Xiamen Municipal Bureau of Finance, Xiamen Terminal Group, a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2019. The income tax rate for the year ended 31 December 2019 is 15% (2018: 25%).

Except for Songyu Terminal, XICT, Haiyu, Xiamen Terminal Group, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company are subject to PRC income tax rate of 25% for the year ended 31 December 2019 (2018: 25%).

31. Taxation (continued)

(b) PRC corporate income tax (continued)

The amount of income tax expense charged to the consolidated income statement represents:

	2019 RMB'000	2018 RMB'000
PRC corporate income tax expense	**237,071**	253,803
Deferred income tax (credit)/charge (Note 13)	**(4,912)**	1,393
	232,159	255,196

(c) Income tax expense

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**900,918**	809,586
Less: Share of net loss of joint ventures	**(1,708)**	10,870
Less: Share of net profit of associates	**(3,392)**	(2,436)
	895,818	818,020
Tax calculated at the applicable tax rate of 25% (2018: 25%)	**223,955**	204,505
Effect of preferential tax rate of:		
— Haiyu	**(11,754)**	(10,543)
— Songyu Terminal	**(7,257)**	(8,151)
— XICT	**(4,266)**	(4,945)
— Xiamen Terminal Group	**(47,974)**	—
Expenses not deductible for income tax purposes	**3,176**	3,004
Tax losses for which no deferred tax assets were recognised	**75,887**	70,854
Others	**392**	472
Income tax expense	**232,159**	255,196

32. Dividends

	2019 **RMB'000**	2018 RMB'000
Proposed final dividends		
— Domestic share	**43,488**	34,790
— H share	**24,667**	19,734
	68,155	54,524

The dividends declared in 2019 and 2018 were RMB68,155,000 (RMB2.5 cents per share) and RMB54,524,000 (RMB2 cents per share) respectively.

At the Board meeting held on 27 March 2020, the Board proposed a final dividend of RMB2.5 cents per share (tax inclusive) for the year ended 31 December 2019 (2018: RMB2 cents per share (tax inclusive)). This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 12 June 2020, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2020.

33. Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company for the year ended 31 December 2019 of RMB279,684,000 (2018: RMB244,750,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2018: 2,726,200,000) shares.

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

34. Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit before income tax	900,918	809,586
Adjustments for		
— Share of profits less losses of joint ventures	(1,708)	10,870
— Share of profits less losses of associates	(3,392)	(2,436)
— Depreciation of property, plant and equipment	565,817	566,181
— Depreciation of investment properties	7,418	6,214
— Amortisation of land use rights	—	104,469
— Amortisation of intangible assets	9,598	20,647
— Amortisation of right-of-use assets	181,875	—
— Impairment of property, plant and equipment	186	1,313
— (Gains)/losses on disposal of property, plant and equipment	(6,235)	758
— Net fair value losses on financial assets at fair value through profit or loss	44,000	6,000
— Provision for impairment of inventories	8,566	8,100
— Provision for impairment of receivables	(142)	(323)
— Dividend income	(12,233)	(9,655)
— Interest income	(19,384)	(21,273)
— Interest expenses	248,044	312,536
— Unrealised foreign exchange gains	1,445	1,441
	1,924,773	1,814,428
Changes in working capital		
— Accounts receivable	(84,017)	(152,947)
— Other receivables and prepayments	(30,456)	111,166
— Inventories	(115,084)	(523,634)
— Accounts and notes payable	267,228	42,594
— Other payables and accruals	(75,630)	163,396
Net cash generated from operations	1,886,814	1,455,003

For the year ended 31 December 2019, there are no significant non-cash transactions (2018: Nil).

34. Notes to consolidated statement of cash flows (continued)

(b) Net debt reconciliation

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	1,883,432	681,633
Borrowings — repayable within one year (including overdraft)	(4,082,174)	(3,364,412)
Borrowings — repayable after one year	(3,356,160)	(3,165,847)
Net debt	(5,554,902)	(5,848,626)
Cash and liquid investments	1,883,432	681,633
Gross debt — fixed interest rates	(4,611,767)	(4,738,883)
Gross debt — variable interest rates	(2,826,567)	(1,791,376)
Net debt	(5,554,902)	(5,848,626)

		Liabilities from financing activities			
	Cash/ bank RMB'000	Finance leases due after 1 year RMB'000	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Total RMB'000
Net debt as at 31 December 2017	671,348	(29,697)	(3,707,679)	(2,400,421)	(5,466,449)
Net cash flows	8,844	–	1,645,467	(1,982,043)	(327,732)
Foreign exchange adjustments	1,441	–	(1,075)	(1,378)	(1,012)
Other non-cash movements	–	(51,270)	(1,301,125)	1,298,962	(53,433)
Net debt as at 31 December 2018	681,633	(80,967)	(3,364,412)	(3,084,880)	(5,848,626)
Net debt as at 31 December 2018	681,633	(80,967)	(3,364,412)	(3,084,880)	(5,848,626)
Net cash flows	1,200,354	–	(382,926)	(599,742)	217,686
Foreign exchange adjustments	1,445	–	(181)	(331)	933
Other non-cash movements	–	80,967	(334,655)	328,793	75,105
Net debt as at 31 December 2019	1,883,432	–	(4,082,174)	(3,356,160)	(5,554,902)

35. Commitments

(a) Capital commitments

The Group's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2019 RMB'000	2018 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred	627,019	581,107

Committed capital expenditure as at 31 December 2019 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, renovation of buildings. These commitments were entered into by the Group with its suppliers before 31 December 2019 but the related capital expenditure had not been incurred as at that date.

(b) Operating lease commitments

The future minimum lease payments under non-cancellable leases are as follows:

	2019 RMB'000	2018 RMB'000
Leases within one year	13,060	18,424
Low-value leases	7,480	1,328
Leases with terms over one year and high-value	–	145,456
	20,540	165,208

Leases with terms over one year and high-value have been recorded as lease liabilities from 1 January 2019 with the adoption of HKFRS 16 (Note 8).

36. Significant related party transactions

The Company is controlled by XPHG, the parent company, which is in turn subject to the control of the PRC Government.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2019 and balances arising from these significant related party transactions.

(a) During the year, the Group had the following significant transactions with related parties:

	Note	2019 RMB'000	2018 RMB'000
Transactions with parent company			
Revenue			
Power supply and maintenance and electrical equipment maintenance	(i)	**14,679**	14,718
Expenses			
Lease rental in respect of land, port facilities and office premises	(i)	**61,000**	64,171
Interest expenses related to leasing liabilities	(i)	**1,282**	–
Others			
Purchases of right-of-use assets	(i)	**38,448**	–
Transactions with fellow subsidiaries			
Revenue			
Port services	(i)	**33,456**	37,278
Trading sales	(i)	**3,804**	6,003
Transportation service	(i)	**1,056**	1,119
Tally Service	(i)	**2,916**	3,118
Lease rental in respect of land, port facilities and office premises	(i)	**623**	504
Expenses			
Office and property management	(i)	**14,465**	14,554
Lease rental in respect of land, port facilities and office premises	(i)	**10,079**	6,314
Comprehensive service fee	(i)	**20,538**	23,383
Labour service fee	(i)	**94,997**	82,294
Information Services	(i)	**12,429**	10,453
Project Management Services	(i)	**8,511**	4,605
Transportation Service	(i)	**–**	20,253
Others			
Purchases of property, plant and equipments	(i)	**77,690**	78,493

36. Significant related party transactions (continued)

(a) During the year, the Group had the following significant transactions with related parties (continued):

	Note	2019 RMB'000	2018 RMB'000
Transaction with joint ventures			
Revenues			
Power supply and maintenance and electrical equipment maintenance	(i)	**113**	132
Lease rental in respect of land, port facilities and office premises	(i)	**1,792**	1,771
Loading and unloading services rendered	(i)	**38,035**	31,630
Expenses			
Lease rental in respect of land, port facilities and office premises		**480**	1,017
Transaction with associates			
Revenues			
Lease rental in respect of land, port facilities and office premises	(i)	**1,542**	1,360
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(i)	**166,475**	146,218
Expenses			
Purchases of commercial goods	(i)	**38,460**	46,527

(i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.

36. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	Note	2019 RMB'000	2018 RMB'000
Balances with parent company			
Other receivables and prepayments		**29,087**	32,027
Dividend payable		**3,111**	3,111
Accounts payable		**2,136**	1,920
Other payables and accruals		**78**	430
Lease liabilities		**26,985**	–
Balances with fellow subsidiaries			
Accounts receivable		**13,558**	9,000
Other receivables and prepayments		**880**	502
Accounts payable		**82,697**	81,653
Other payables and accruals		**3,887**	4,049
Balances with joint ventures			
Accounts receivable		**34**	2,160
Other receivables and prepayments		**2,061**	2,045
Accounts payable		**592**	894
Other payables and accruals		**307**	394
Balances with associates			
Accounts receivable		**931**	915
Other payables and accruals	(i)	**16,000**	9,020
Balances with non-controlling shareholders of subsidiaries			
Dividends payable		**50,650**	60,792
Balances with other related parties			
Accounts receivable		**41,411**	34,848
Other receivables and prepayments		**1,462**	1,813
Accounts payable		**11,016**	11,527
Other payables and accruals		**860**	602

(i) As at 31 December 2019, except for the other payables of RMB16,000,000 to associates, which are interest bearing at 4.35% per annum and have fixed terms of repayment, other balances with related parties are unsecured, interest free and have no fixed terms of repayment or subject to agreed credit terms for trade receivables.

36. Significant related party transactions (continued)

(c) Key management compensation:

	2019 RMB'000	2018 RMB'000
Emoluments	**3,324**	3,387
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,184**	1,648
Contributions to pension plans	**686**	739
Discretionary bonuses	**4,045**	4,051
	9,239	9,825

37. Particulars of subsidiaries, joint ventures and associates

(a) Subsidiaries

As at 31 December 2019, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/paid-in capital 2019 (RMB'000)	Issued share/paid-in capital 2018 (RMB'000)	Attributable equity interests 2019 Directly held	Attributable equity interests 2019 Indirectly held	Attributable equity interests 2018 Directly held	Attributable equity interests 2018 Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd. ("XPD") *	Joint stock limited company	531,000	531,000	55.13%	–	55.13%	–	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted and established in the mainland PRC								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency")#	Limited liability company	30,000	30,000	–	33.08%	–	33.08%	Shipping agency services for international vessels
Xiamen Wailun Tally Co.,Ltd.#	Limited liability company	17,000	17,000	–	38.04%	–	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	135,000	135,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing

37. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2019 (RMB'000)	Issued share/paid-in capital 2018 (RMB'000)	Attributable equity interests 2019 Directly held	Attributable equity interests 2019 Indirectly held	Attributable equity interests 2018 Directly held	Attributable equity interests 2018 Indirectly held	Principal activities
Unlisted and established in the mainland PRC (continued)								
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	–	55.26%	–	55.26%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agency Co., Ltd.#	Limited liability company	2,000	2,000	–	44.10%	–	44.10%	Shipping agency services for domestic trade
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	80,000	80,000	100%	–	100%	–	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Co., Ltd.	Limited liability company	70,000	70,000	–	52.37%	–	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.#	Limited liability company	12,000	12,000	–	33.08%	–	33.08%	Agency services for import and export of products/technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd.#	Limited liability company	2,000	2,000	–	33.08%	–	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd.#	Limited liability company	5,000	5,000	–	33.08%	–	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd.#	Limited liability company	3,800	3,800	–	33.08%	–	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd.#	Limited liability company	8,000	8,000	–	33.08%	–	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	–	55.25%	–	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse

37. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2019	2018	2019		2018		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted and established in the mainland PRC (continued)								
Xiamen Ganghua Logistics Co., Ltd.	Limited liability company	10,000	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	–	55.17%	–	55.17%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	180,000	180,000	–	55.13%	–	55.13%	Commodity export agency and sales
Xiamen Port Hailuda Building Material., Ltd.#	Limited liability company	7,000	7,000	–	41.90%	–	41.90%	Manufacturing, processing and selling of building materials
Xiamen Waili Logistics Management Co., Ltd.#	Limited liability company	300	300	–	47.41%	–	47.41%	Container deposit, land transport and logistics management
Xiamen Port Haicang Container Inspection Services Co., Ltd. ("Haicang Container Inspection")#	Limited liability company	1,000	1,000	–	44.81%	–	44.81%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Port Development Co., Ltd.# (Formerly known as "Samming Lugang Logistics Co., Ltd.")	Limited liability company	135,000	135,000	–	44.10%	–	44.10%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Sanming Port Logistics Co., Ltd.#	Limited liability company	10,000	10,000	–	44.10%	–	44.10%	National and international freight agency, cargo storage, deposit and packing services
Ji'an Port Development Logistics Co., Ltd. (Formerly known as "Ji'an Lugang Logistics Co., Ltd.")	Limited liability company	70,000	70,000	–	55.13%	–	55.13%	Freight forwarding and agency business, warehousing services and logistics information services

37. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2019 (RMB'000)	Issued share/paid-in capital 2018 (RMB'000)	Attributable equity interests 2019 Directly held	2019 Indirectly held	2018 Directly held	2018 Indirectly held	Principal activities
Unlisted and established in the mainland PRC (continued)								
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100%	–	100.00%	–	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd.#	Limited liability company	381,000	125,953	–	28.12%	–	28.12%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	–	55.13%	–	55.13%	Road construction, port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	450,000	–	55.13%	–	55.13%	Bulk/general cargo loading and unloading business
Chaozhou Port Development Co., Ltd.#	Limited liability company	224,000	224,000	–	38.59%	–	38.59%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd.#	Limited liability company	8,000	8,000	–	38.59%	–	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd.#	Limited liability company	1,500	1,500	–	44.10%	–	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.	Limited liability company	10,000	10,000	–	55.13%	–	55.13%	Commodity export agency and sales
Zhangzhou City Longchi Port Development Co., Ltd.#	Limited liability company	100,000	85,000	–	30.32%	–	30.32%	Port supporting services, investment and development
Xiamen Terminal Group$	Limited liability company	2,436,604	2,436,604	59.45%	0.3%	59.45%	0.3%	Container loading and unloading services
Xiamen Hairun Container Terminal Co., Ltd.	Limited liability company	10,000	10,000	–	59.45%	–	59.45%	Container loading and unloading services
Zhangzhou City Gulei Tugboat Co., Ltd.#	Limited liability company	100,000	50,000	–	44.18%	–	44.18%	Port logistics

37. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2019 (RMB'000)	Issued share/paid-in capital 2018 (RMB'000)	Attributable equity interests 2019 Directly held	Attributable equity interests 2019 Indirectly held	Attributable equity interests 2018 Directly held	Attributable equity interests 2018 Indirectly held	Principal activities
Unlisted and established in the mainland PRC (continued)								
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal")#$	Limited liability company	1,680,000	1,680,000	–	44.81%	–	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd.#	Limited liability company	72,000	72,000	–	55.13%	–	55.13%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics") ("Ji'an Port Logistics")	Limited liability company	10,000	10,000	–	55.13%	–	55.13%	National and domestic merchandise agency, keeping and warehousing service
Xiamen Gangjixing Transportation Co., Ltd. ("Gangjixing Transportation") ("Xiamen Gangjixing")#	Limited liability company	9,500	9,500	–	28.14%	–	28.14%	Container transport
Xiamen Haicang International Container Terminal Ltd. ("XHICT")#$	Limited liability company	555,515	555,515	–	30.46%	–	30.46%	Container loading and unloading for international trade
Xiamen Port Shihushan Terminal Co., Ltd.#	Limited liability company	40,000	40,000	–	28.12%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyu Terminal Co., Ltd.#	Limited liability company	462,000	462,000	–	28.12%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyi Terminal Co., Ltd.#	Limited liability company	278,000	278,000	–	28.12%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Shihushan Terminal Labour Services Co., Ltd.#	Limited liability company	740	740	–	28.12%	–	28.12%	Labour Services
Shishi City Huajin Terminal Storage and Transportation Co., Ltd.	Limited liability company	600,000	600,000	–	41.35%	–	41.35%	Bulk/general cargo loading and unloading business
Xiamen International Container Terminals Ltd.#$	Limited liability company	1,148,700	1,148,700	–	30.32%	–	30.32%	Container loading and unloading for international trade

37. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital (RMB'000) 2019	2018	Attributable equity interests 2019 Directly held	2019 Indirectly held	2018 Directly held	2018 Indirectly held	Principal activities
Unlisted and established in the mainland PRC (continued)								
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd.	Limited liability company	756,000	756,000	–	39.24%	–	39.24%	Terminal operation and rendering of relevant port services
Xiamen Port Building Materials Supply Chain Co., Ltd.	Limited liability company	50,000	50,000	–	26.71%	–	26.71%	Manufacturing, processing and selling of building materials
Xiamen port Hai Heng Industry Co., Ltd.	Limited liability company	10,000	10,000	–	55.13%	–	55.13%	Commodity export agency and sales
Quanzhou Xiagang Tugboat Co., Ltd.&	Limited liability company	20,000	–	–	55.13%	–	–	Operation of port tugboat
Unlisted and established in Hong Kong of PRC								
Trend Wood Investments Limited ("Trend Wood")	Limited liability company	HKD1	HKD1	–	59.75%	–	59.75%	Investment holding
Xiamen Ocean Shipping Agency (Hong Kong) Limited ("Hong Kong Ocean Shipping Agency")#	Limited liability company	HKD1,000,000	HKD1,000,000	–	33.08%	–	33.08%	Shipping agency services for international vessels
Xiamen Port Haiheng (Hong Kong) Limited #	Limited liability company	HKD3,000,000	HKD3,000,000	–	55.13%	–	55.13%	Commodity export agency and sales

The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

& Established during the year ended 31 December 2019.

* The Company entered into the Subscription Agreement with XPD to purchase 94,191,522 new shares to be issued by XPD with total consideration amounted to nearly RMB600,000,000. On 23 December 2019, the application for the Subscription Agreement was approved by the China Securities Regulatory Commission and the capital verification procedures had been finished. On 14 January 2020, the registration of the new shares in Shenzhen Stock Exchange was finished and the attributable equity interests of the Company in XPD increased from 55.13% to 61.89%. The transaction was considered as completed on 23 December 2019. The excess of net assets of XPD acquired over the consideration paid amounting to RMB40,777,000 was recorded in other reserves within equity and the non-controlling interests was reduced by the same amount.

$ Registered as sino- foreign equity joint venture under PRC law.

37. Particulars of subsidiaries, joint ventures and associates (continued)

(b) Joint ventures

As at 31 December 2019, the Group had interests in the following joint ventures:

Name	Paid-in capital (RMB'000) 2019	Paid-in capital (RMB'000) 2018	Proportion of ownership held by the Group and profit sharing 2019	Proportion of ownership held by the Group and profit sharing 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activities
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH") *	167,650	167,650	60%	60%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Fuzhou Mawei Shipping Co., Ltd.*	9,000	9,000	51%	51%	51%	51%	Container liner shipping
Xiamen Ocean Shipping Agency All-Trans Logistic Co., Ltd. ("Xiamen Agency All-Trans")*	37,882	37,882	49%	49%	49%	49%	Container deposit, land transport, international freight agency
SDIC Xiamen Port Hainan Tugboat Co., Ltd.[&*]	40,670	–	49%	–	49%	–	Operation of port tugboat

* The directors of the Company consider that the Group could not control over these companies through its representatives on the board of directors and voting power in these companies.

& Established during the year ended 31 December 2019.

37. Particulars of subsidiaries, joint ventures and associates (continued)

(c) Associates

As at 31 December 2019, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital 2019 (RMB'000)	Issued share/paid-in capital 2018 (RMB'000)	Attributable equity interests 2019	Attributable equity interests 2018	Principal activities
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	50%	50%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	7,480	7,480	40%	40%	Manufacturing, processing and selling of building materials
Sanming Port construction Co.,Ltd.	Limited liability company	5,000	5,000	35%	35%	Construction and operation of the relevant projects of Sanming land-based port
Xiamen China United Tally Co.,Ltd.	Limited liability company	3,000	3,000	40%	40%	Tallying of cargo and container services
Xiamen Port Hai Rong Tong Supply Chain Management Co., Ltd.	Limited liability company	7,000	7,000	25%	25%	Supply chain management

Except for Trend Wood, Hong Kong Ocean Shipping Agency and Xiamen Port Haiheng (Hong Kong) Limited which are incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are established in the PRC.

The operations of all subsidiaries (except for Trend Wood), joint ventures and associates are principally carried out in the PRC.

Except for XPD which is a listed company in the PRC, all other subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures and associates referred to in this report represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

38. Balance sheet and reserve movement of the Company

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investment property		26,830	28,044
Property, plant and equipment		82,974	82,665
Land use rights		–	47,466
Intangible assets		936	465
Right-of-use assets		43,869	–
Investments in subsidiaries		5,992,398	5,389,968
Interests in joint ventures		4,285	4,285
Financial assets at fair value through other comprehensive income		48,246	43,951
Long-term receivables and prepayments		857,731	857,731
Deferred income tax assets		625	625
Total non-current assets		7,057,894	6,455,200
Current assets			
Financial assets at fair value through profit or loss		261,705	847,961
Accounts receivable		–	7,003
Other receivables and prepayments		1,442,712	1,308,199
Term deposits with initial term of over three months		650,000	–
Restricted cash		121	121
Cash and cash equivalents		626,881	92,501
Total current assets		2,981,419	2,255,785
Total assets		10,039,313	8,710,985

38. Balance sheet and reserve movement of the Company (continued)

	Note	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,726,200**	2,726,200
Reserves	(a)	**2,585,398**	2,413,637
Total equity		**5,311,598**	5,139,837
LIABILITIES			
Non-current liabilities			
Borrowings		**2,107,802**	2,614,105
Long-term payables and advances		**367**	367
Deferred income tax liabilities		**10,744**	9,670
Total non-current liabilities		**2,118,913**	2,624,142
Current liabilities			
Accounts and notes payable		**905**	2,540
Other payables and accruals		**398,723**	385,792
Borrowings		**2,209,174**	558,674
Total current liabilities		**2,608,802**	947,006
Total liabilities		**4,727,715**	3,571,148
Total equity and liabilities		**10,039,313**	8,710,985

Cai Liqun
Director

Chen Zhaohui
Director

38. Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	(61,484)	315,152	85,957	339,625	1,883,837	2,223,462
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(5,573)	(5,573)	–	(5,573)
– Gross	–	–	(7,431)	(7,431)	–	(7,431)
– Related deferred income tax	–	–	1,858	1,858	–	1,858
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	(38,530)	(38,530)	38,530	–
– Gross	–	–	(51,373)	(51,373)	51,373	–
– Related deferred income tax	–	–	12,843	12,843	(12,843)	–
Profit for the year	–	–	–	–	291,165	291,165
2017 final dividends	–	–	–	–	(95,417)	(95,417)
Profit appropriation	–	29,117	–	29,117	(29,117)	–
Balance at 31 December 2018	(61,484)	344,269	41,854	324,639	2,088,998	2,413,637
Representing:						
– 2018 proposed final dividends	–	–	–	–	54,524	54,524
– Others	(61,484)	344,269	41,854	324,639	2,034,474	2,359,113
	(61,484)	344,269	41,854	324,639	2,088,998	2,413,637

38. Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company (continued)

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	(61,484)	344,269	41,854	324,639	2,088,998	2,413,637
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	3,221	3,221	–	3,221
– Gross	–	–	4,295	4,295	–	4,295
– Related deferred income tax	–	–	(1,074)	(1,074)	–	(1,074)
Profit for the year	–	–	–	–	223,064	223,064
2018 final dividends	–	–	–	–	(54,524)	(54,524)
Profit appropriation	–	22,306	–	22,306	(22,306)	–
Balance at 31 December 2019	(61,484)	366,575	45,075	350,166	2,235,232	2,585,398
Representing:						
– 2019 proposed final dividends	–	–	–	–	68,155	68,155
– Others	(61,484)	366,575	45,075	350,166	2,167,077	2,517,243
	(61,484)	366,575	45,075	350,166	2,235,232	2,585,398

39. Subsequent events

On 27 February 2020, the Company completed its issue of the first tranche of the super short-term notes with a term of 180 days from the date of issue with a total principal amount of RMB950,000,000 at a fixed interest rate of 2.50% per annum (the "2020 First Tranche Super Short-term Notes"). The net proceeds from the issue of the 2020 First Tranche Super Short-term Notes are principally used for supplementing the Group's liquidity and repayment of the Group's bank loans to satisfy the business operation and the working capital needs of the Group.

On 13 March 2020, the Company completed its issue of the second tranche of the super short-term notes with a term of 180 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 2.48% per annum (the "2020 Second Tranche Super Short-term Notes"). The net proceeds from the issue of the 2020 Second Tranche Super Short-term Notes shall all be used for repaying the maturing 2019 Sixth Tranche Super Short-term Notes.

Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world. The Group will pay close attention to the development of the COVID-19 Outbreak and is assessing its impact on the Group's financial condition, operating results and other aspects for financial statements subsequent to 31 December 2019 and will take proactive measures as appropriate.

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