

\* For identification purpose only



**2020**  
Annual Report



**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



**2020**  
**ANNUAL REPORT**

Xiamen International Port Co., Ltd

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# Corporate Information

## EXECUTIVE DIRECTORS<sup>1</sup>

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

## NON-EXECUTIVE DIRECTORS<sup>2</sup>

CHEN Zhiping  
FU Chengjing  
HUANG Zirong  
BAI Xueqing

## INDEPENDENT NON-EXECUTIVE DIRECTORS<sup>3</sup>

LIU Feng  
LIN Pengjiu  
JIN Tao  
JI Wenyuan

## SUPERVISORS

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

## COMPANY SECRETARY

CAI Changzhen

## AUTHORISED REPRESENTATIVES

CHEN Zhaohui  
CAI Changzhen

## REGISTERED ADDRESS

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

Notes:

1. Mr. LIN Fuguang and Mr. CHEN Zhen have been newly appointed as executive Directors since 28 February 2020.
2. Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Remuneration Committee on 24 June 2020; Mr. Fu Chengjing, a non-executive Director, has been newly appointed as a member of the Remuneration Committee since 5 February 2021.
3. Mr. You Xianghua resigned from the positions of independent non-executive Director, member of the Audit Committee and Chairman and member of the Remuneration Committee on 16 December 2020; Mr. Lin Pengjiu, an independent non-executive Director, has been newly appointed as a member of the Audit Committee since 5 February 2021; Mr. Jin Tao, an independent non-executive Director, has been newly appointed as the Chairman and a member of the Remuneration Committee since 5 February 2021.

## 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  
17<sup>th</sup> 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

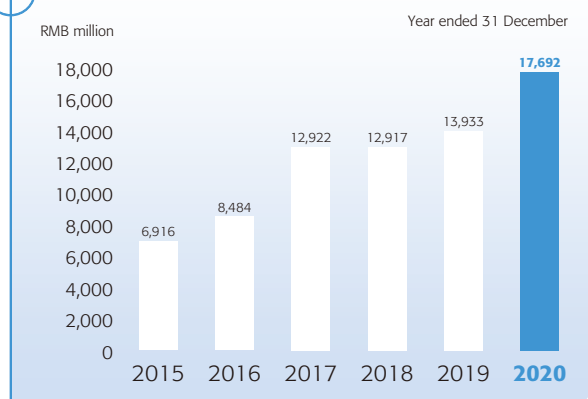
## Corporate Profile

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 port comprehensive logistics 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 port comprehensive logistics services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and trading of merchandise in Xiamen. The Group currently operates six container terminals, namely Haitian Container Terminal (“Haitian Terminal”), Xiamen International Container Terminal, Hairun Terminal, Xiamen Haicang International Container Terminal, Songyu Terminal and Xinhaida Terminal, as well as the ITG Terminal, Shihushan Terminal, Haiyi Terminal, Haiyu Terminal, Hailong Terminal, Huajin Terminal located at Quanzhou port and Chaozhou Xiaohongshan Terminal located in the new port area of Sanbaimen, Chaozhou City, Guangdong Province, which are operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates a total of 35 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.

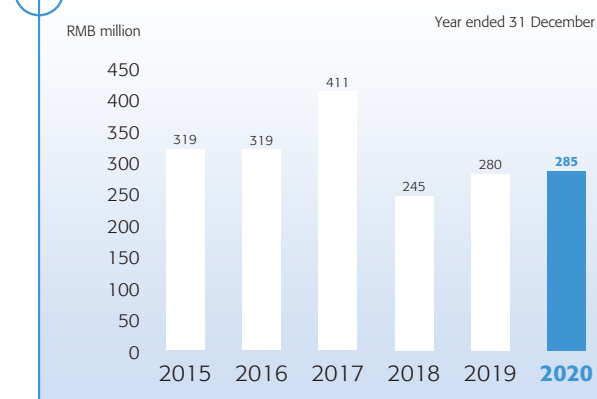
# Financial Highlights

	Year ended 31 December					
	2015	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenues	6,915,686	8,483,998	12,922,319	12,916,756	13,933,106	<b>17,691,738</b>
Gross profit	1,039,847	1,127,715	1,199,992	1,215,048	1,256,921	<b>1,231,137</b>
Operating profit	995,789	1,051,049	1,238,196	1,109,283	1,124,478	<b>1,061,267</b>
Profit before income tax expense	943,785	1,021,337	1,070,633	809,586	900,918	<b>827,118</b>
Profit for the year	738,753	804,916	819,595	554,390	668,759	<b>616,579</b>
Profit attributable to owners of the Company	319,495	319,342	411,157	244,750	279,684	<b>284,674</b>
Earnings per share for profit attributable to owners of the Company during the year						
– Basic and diluted (in RMB cents)	11.72	11.71	15.08	8.98	10.26	<b>10.44</b>

## Revenues



## Profit attributable to owners of the Company

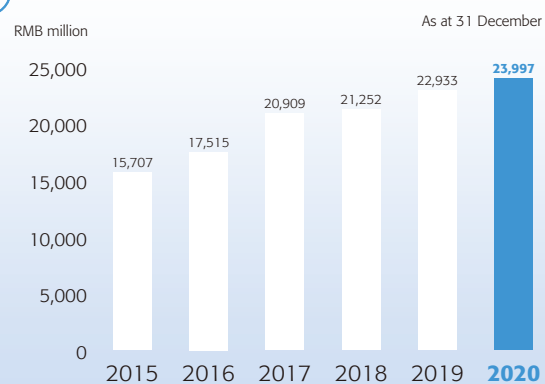


## Financial Highlights

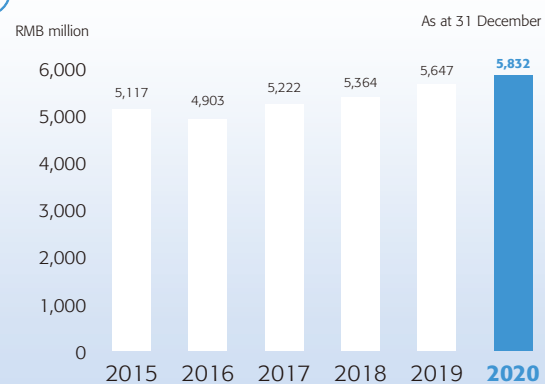
	As at 31 December					
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total assets	15,707,285	17,514,627	20,908,724	21,252,256	22,932,950	<b>23,996,565</b>
Equity attributable to owners of the Company	5,116,580	4,902,861	5,222,195	5,364,012	5,647,384	<b>5,831,811</b>
Total liabilities	5,515,355	7,202,654	9,065,237	9,283,591	10,558,824	<b>11,398,750</b>
Cash and cash equivalents	861,733	1,140,956	671,348	681,633	1,883,432	<b>707,852</b>

	As at 31 December					
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current ratio (times)	0.86	0.80	0.63	0.82	0.95	<b>0.73</b>
Gearing ratio (%)	(16.17)	(18.88)	(31.58)	(32.83)	(30.98)	<b>(34.86)</b>
Inventory turnover days	25	21	21	26	33	<b>30</b>
Accounts receivable turnover days	58	47	32	30	27	<b>24</b>

### 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 2020 (the "Year") to our shareholders.

In 2020, the global spread of the COVID-19 epidemic (the "Epidemic") had a severe impact on the world's economy and global economic and trade activities, which materially dampened the world's economy. The Chinese government scientifically coordinated the Epidemic prevention and control and economic and social development by adopting policies and measures regarding the Epidemic response and market vitality stimulation in a timely manner to promote the restoration of production and living order effectively. However, the impact resulting from the challenge of the Epidemic and the complicated and changeable domestic and overseas environment on the port industry was still relatively severe. Facing such complicated market environment, the Group closely adhered to the construction of an international shipping center and the transformation and upgrade of ports, stuck to the new development concept and fully leveraged the overall synergy effect from the advantage of the Group's operating scale and its comprehensive port logistic services to comprehensively deepen reform, optimize the allocation of resources, accelerate innovation of management, and coordinate the development of port business, thus promoting the healthy and stable development of the Group.

For the Year, the revenue of Xiamen Port was approximately RMB17,691,738,000, representing an increase of approximately 27.0% as compared with the previous year; the profit after tax was approximately RMB616,579,000, representing a decrease of approximately 7.8% as compared with the previous year; and the profit attributable to owners of the Company was approximately RMB284,674,000, representing an increase of approximately 1.8% as compared with the previous year. Basic and diluted earnings per share attributable to owners of the Company were approximately RMB10.44 cents, representing an increase of approximately 1.8% 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 RMB2.8 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB76,333,600 (tax inclusive).

In 2020, the Group proactively responded to the impact of the Epidemic by coordinating Epidemic prevention and control and the development of principal port businesses, corporately promoting the integration of port resources in Fujian Province, strengthening the headquarters marketing and overall marketing efforts, carrying out strategic port-shipping cooperation and expanding port hinterland, so as to comprehensively improve business environment and promote high-quality development of ports.



- The Group coordinated the Epidemic prevention and control and the development of principal businesses, which mainly included: (1) proactively responding to the Epidemic. The Group carried out its work based on the principle of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases” by strengthening the “ship-shore” interface management and conducting the Epidemic prevention in production and office space. Meanwhile, the Group assisted the customers to tide over difficulties in response to the government’s guidance; (2) promoting the coordinated development of principal port businesses. The Group promoted the construction of “Silk Road Shipping” (「絲路海運」) by establishing new channels of “Sea Silk Road” (「海絲」) and “Land Silk Road” (「陸絲」) to create a shipping logistic service ecosystem of “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」) (the “Belt and Road”) with international influence. The Group also carried out marketing to headquarters of well-known shipping companies by implementing the policy of “One Enterprise with One Strategy and Accurate Support” (「一企一策·精準扶持」) to deepen the strategic port-shipping cooperation and enhance the “Density, Coverage and Time of Delivery” of the route network. Meanwhile, the Group expanded incremental businesses by carrying out targeted pricing strategy to consolidate the international transshipment routes of key shipping enterprises in Xiamen port, as well as successfully introducing new shipping companies to open new shipping lines in the Liuwudian port area to develop the second operation center for domestic trade container in Xiamen port.
- The Group coordinated the expansion to the seaside and landside hinterlands, which mainly included: (1) Haiying Terminal (海盈碼頭) proactively excavated sources of goods in the northeast of Fujian Province and achieved a total container throughput of 285,000 Twenty-foot Equivalent Units (“TEUs”) in 2020, the throughput of the foreign trade container business of the domestic feeder lines in Fuzhou and Xiamen reached a new high; the expanded cargo terminal in Chaozhou port was completed and put into operation, and the first container liner route from Chaozhou to Xiamen was formally opened; Shishi City Huajin Terminal Storage and Transportation Co., Ltd. (石獅市華錦碼頭儲運有限公司) (“Huajin Terminal”) promoted the shipment recovery on container routes and increased shipping capacity, leveraging its advantages to provide tailored “Replacement of Bulk Shipments with Container Shipments” services to customers and promote the sustainable growth of the container throughput; (2) expanding the coverage area of hinterland. The Group enhanced the construction of land-based ports, seized the opportunities of integration of port resources in Fujian Province to coordinately develop sea-rail combined transport business, coordinated the layout of business networks establishment in Zhangzhou, Qingdao, Gulei, Nanping, Quanzhou, Chaozhou and other places, enhanced the efforts of investigation and marketing for sources of goods in the surrounding hinterlands to extend the reach of ports, excavate value-added services and inject new driving forces into the development of Xiamen port.



## Chairman's Statement

- The Group coordinated the improvement of services and business environment of ports, which mainly included: (1) enhancing the service capabilities of terminals. Xiamen Songyu Container Terminal Co., Ltd. (廈門嵩嶼集裝箱碼頭有限公司) (“Songyu Terminal”) formally passed the demonstration of berthing capacity and the demonstration review of navigation safety for extra-large container ships of 23,000 TEUs and achieved normal berthing of 200,000-tonne extra-large container ships in Xiamen port; single projects such as north berth No. 1-1, berths for fireboats and tugboats and berths for working ships at the southern side of the Gulei north port area successfully passed the quality acceptance inspection and basically qualified for tugboat berthing; Xiamen Port Transportation Co., Ltd. (廈門港務運輸有限公司) (“XPT”) procured and deployed 35 full electric in-port tractors to improve the collecting and distributing abilities in port area; (2) maintaining and improving high-level business environment in ports. The Group proactively cooperated with its members to improve the quality and efficiency and optimize the business environment in ports, which promoted Xiamen port to continue to rank 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). 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, leveraging the advantages of “Single Window” and the smart logistic platform for containers of Xiamen (the “Smart Logistic Platform”), successfully piloted the new operating models of “Ship-Side Pick-Up of Imported Goods” (「卸船直提」) and “Ship-Side Delivery of Exported Goods” (「出口直裝」), which effectively improved the convenience for customers. China Ocean Shipping Agency Xiamen Co., Ltd. (中國廈門外輪代理有限公司) (“Ocean Shipping Agency”) launched “Paperless Settlement of Port Charge” platform and achieved paperless settlement of port charge between shipping companies and ship collaboration service companies nationwide for the first time to promote the cost reduction and efficiency improvement for each party; (3) consolidating and improving service brands. Xiamen Terminal Group overcame the impact of the Epidemic and coordinated and safeguarded the significant increase of demand of ship operations, achieved stable increase of key relevant indexes and was titled with “Top 10 National Container Terminals in terms of Comprehensive Services” (「全國綜合服務十佳集裝箱碼頭」), and its subsidiary, Songyu Terminal, repeatedly ranked first in terms of the comprehensive service efficiency evaluation for relevant shipping companies.
- The Group coordinated to promote the reform and transformation and upgrades of the enterprise, 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 of focusing on “Five Breakthroughs and One Reinforcement” (「五突破一加強」), the Group advanced the reform and achieved certain successes in improving the corporate governance structure, optimizing performance assessment and remuneration management system, constructing a financial sharing center, promoting the integration of bulk cargo terminal resources and the integration of logistic resources, etc., and was successfully elected as a reform sample of Double-hundred Action; (2) focusing on business expansion along

the Belt and Road shipping routes. The Group proactively integrated into the national initiative of Belt and Road by concentrating on the expansion of the international shipping routes, which led the shipping routes between Xiamen port and countries along the Belt and Road to reach 67 that passed via 54 ports in 25 countries in 2020, among which 51 routes are Silk Road Shipping routes; (3) extending the industry chain of port electricity. 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) ("Port Power Supply & Tech."), a subsidiary of the Group, actively expanded electricity sales and its value-added business, achieved new breakthroughs both in external electricity sales and the construction project of 110KV transformer station for cruise home port, and the pilot reform results of incremental electric power distribution received recognition from the relevant national energy regulatory authorities; (4) obtaining achievements on the innovative development of free trade format. Xiamen Bonded Logistic Park obtained approval from the State Council of the PRC to transform and upgrade into a comprehensive bonded zone and had special functions and policies to connect both domestic and overseas market businesses, which effectively attracted various well-known enterprises and promoted the opening; Xiamen Port Logistics Co., Ltd. (廈門港務物流有限公司) ("Port Logistics"), a subsidiary of the Group, consolidated and developed the China-Europe Railway Express business by leveraging the prudent business model of less than container load ("LCL") for maritime containers and excellent customers resources of container LCL business, and achieved a year-on-year increase of 45.5% on the whole year business volume. During the period under review, the containers and the bulk/general cargo handling capacity of the Group in Xiamen were approximately 8.908 million TEUs and 24.739 million tonnes, respectively, among which, the container throughput accounted for 78.1% and 51.8% 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 governance, regulating operation and management and enhancing risk prevention capabilities to promote the corporate development in a sustainable and stable way.

- During the Year, the Company has completed the re-elections for the Board, the supervisory committee and five professional committees under the Board as scheduled according to the procedures, and accordingly amended the articles of association of the Company (the "Articles") in accordance with the relevant documents required by the State Council of the PRC to improve the corporate governance structure and boost the operational efficiency of enterprises; strengthened the monitoring on substantial transactions and connected transactions, and made appropriate information disclosures on the integration of port resources in Fujian Province, the issuance of super short-term notes and related equity acquisition and disposal, etc.; reinforced investor relations, convening a total of five investor meetings in 2020 to efficiently uphold the market image of the Company.



## Chairman's Statement

- The Group continued to promote the construction of its internal control system. Firstly, the Group has improved its internal control system and amended or newly formulated its management systems relating to asset management, finance management, investment management, safety production, equipment management, performance appraisal and internal audit, 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, reinforced the clearance of account receivable items, established comprehensive risk management report system and optimized the risk management system. Thirdly, the Group has explored innovative audit management mode, promoted sharing audit, collaborated on 20 audit projects, and given full play of its auditing and monitoring functions by conducting the audit on the resignation of senior management of companies including Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司) (“Xiamen Port Development” or “XPD”), Port Logistics and Xiamen Hailong Terminal Co., Ltd. (廈門海隆碼頭有限公司) (“Hailong Terminal” or “Xiamen Hailong”), and carrying out the audit on large funds and operations and management of enterprises including Xiamen Port Trading Co., Ltd. (廈門港務貿易有限公司) (“Port Trading”) and Ocean Shipping Agency, respectively.

In addition, the Group has actively improved its level of capital operation and promoted refined management. The resources integration of bulk cargo terminals was promoted by Xiamen Port Development, which as well as Xiamen Port Holding Group Co., Ltd. (廈門港務控股集團有限公司) (“Xiamen Port Holding” or “XPH”) has increased their capital in Xiamen Port Group Shihushan Terminal Co., Ltd. (廈門港務集團石湖山碼頭有限公司) (“Shihushan Terminal”) by holding respective 100% equity of Hailong Terminal and Xiamen Haihong Petrochemical Terminal Co., Ltd. (廈門海鴻石化碼頭有限公司) (“Haihong Terminal” or “Xiamen Haihong”) respectively, and bulk/general cargo business platform was built to improve competitiveness and profitability of bulk/general cargo business; Xiamen Port Development has transferred the 95% equity in Xiamen Road and Bridge Construction Materials Co., Ltd. (廈門市路橋建材有限公司) (“XRBM”) held by it to Xiamen Road & Bridge Sunstone Co., Ltd. (廈門路橋翔通股份有限公司) (“Xiamen Sunstone”) and used the proceeds from the transfer to subscribe for the shares allotted to it by Xiamen Sunstone so as to optimize investment structure and financial performance and promote assets securitization; the Company acquired 100% equity of Xiamen Port Haishun Terminal Co., Ltd. (廈門港務海順碼頭有限公司) (“Haishun Terminal”) held by Xiamen Port Construction Group Co., Ltd. (廈門港務建設集團有限公司) (“Xiamen Port Construction”), promoted the port construction so as to alleviate the situation in which Haicang port area has insufficient working ability of domestic trade container and strengthen the ability of the subsequent development of principal port businesses. Capitalizing on the platform advantage and the sharing functions of the capital management center, the Group has issued sixteen tranches of super short-term notes during the Year, and raised RMB6.85 billion in total. 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 its corporate debt structure and enhanced its capital utilization efficiency; the Group continually followed up and flexibly took advantage of the financial and tax policies and implemented national phased social security cost preferential policies during the period of the

prevention and control of the Epidemic; the Group have benefited from various preferential governmental policies such as the exemption of corporate income tax for technology-advanced service enterprise, 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, efficiently strengthened its revenue growth and cost reduction as well as stable operation.

During the Year, the Group has also proactively advanced the construction of green and smart ports, and built a clean and low-carbon energy consumption system and a smart production service system for ports. Firstly, the construction of smart ports was promoted. Smart logistics platform has obtained an invention patent certificate issued by China National Intellectual Property Administration. All ports in Xiamen have achieved the paperless delivery notes in the whole process to effectively improve the paperless level in customs clearance. The transformation of ten shore bridges of intelligent loading and unloading program in Haitian Terminal has been completed and launched for trial operation. The smart gate centralized control center in Haicang port area has been officially put into operation. XPT is devoted to building "Internet Freight Platform for Port Centralized Transportation", and has obtained the first "Internet Freight" Road Transport Operation License for port transportation enterprises in Xiamen port, which would improve the efficiency of logistics transportation. Secondly, the concept of green development was implemented. Haitian Terminal, a subsidiary of the Group, was successfully awarded "Green Port 2020 (Four Stars)" and became the model for the construction of the green ports. 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", "Equipment with Full Automation" and "Photovoltaic Power Generation", with energy savings equivalent to 69 tonnes of standard coal for the Year, while the ratio of clean energy against total energy consumption was approximately 40.7%; 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, beautifying Xiamen port, proactively launching sewage treatment, dust prevention and control projects, as well as garbage classification works.

In 2021, it is expected that the global economic and trade environment would still be affected by the Epidemic, and the global economy has the potential to recover but remains highly uncertain. The Regional Comprehensive Economic Partnership ("RCEP") has been officially signed at the end of 2020 and the negotiation of the Comprehensive Agreement on Investment between Europe and China has finished on schedule, which would play an important role in driving the economy recovery for the countries after the Epidemic and promoting long term prosperous development. From China's perspective, the economy of China might be constantly affected by the Epidemic, but the domestic economy will remain sound over the long term. Chinese government will continue to take powerful measures to address the Epidemic, stand on new development phase, carry out the concept of new development, stick to the policy of "Seeking Improvement in Stability", speed up building a new development layout with the big domestic circulation at the main position and the mutual promotion of the domestic and international dual circulation, and advance high-quality economic development under conditions of deeper opening-up. The Chinese government and



## Chairman's Statement

its relevant departments predict that China's national economic growth rate is expected to be more than 6% in 2021. Thus, the economic growth of the Group will face many challenges together with the existence of opportunities in 2021.

Looking forward to the year 2021, 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 the development of principal businesses of port production and integrated logistics services, sticking to the concept of new development, seizing the opportunity of integration of port resources in Fujian Province and actively promoting various operation and management functions. On the one hand, the Group will adhere to the overall fundamental of steady progress, take several measures to explore the growth potential of ports to enlarge and intensify its principal port businesses. The Group will also implement supply-side structural reform, optimize resource allocation, and boost the comprehensive and coordinated development of its port business. Meanwhile, the Group will continuously promote overall marketing, improve the strategic layout of hinterlands, maintain the high-quality environment of port business, and continuously optimize the quality of port service, so as to consolidate the good brand image of the Group and facilitate its overall high-quality development. 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"), promote refined management, improve the level of internal control and risk management, drive the transformation and upgrading and innovation development 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 Company. In addition, the Group will actively fulfill its social responsibilities, coordinate the promotion of environmental, social and corporate governance, deepen modern information technology and green energy conservation technology application 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 proactive 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  
26 March 2021

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

### China's Foreign Trade and Port Container Business

In 2020, due to the Epidemic, the growth of the world's economy and global trade were severely affected. Confronted with the complex and severe domestic and foreign environment of the Epidemic and Sino-US trade war, the Chinese government adhered to the principles of making progress while maintaining stability, insisted on coordinating Epidemic prevention and control and economic and social development, strengthened hedging in macro policies. The Epidemic prevention and control had achieved great strategic results. China took the lead in controlling the Epidemic across the world, and it was the first to resume work and production. The main targets of economic and social development were completed and better than expected. China became the only major economy that achieved positive economic growth in the world. According to the PRC National Bureau of Statistics, China's gross national product ("GNP") in 2020 was approximately RMB101,598.6 billion, exceeding RMB100 trillion for the first time in history and remained 2nd in the world, representing an increase of approximately 2.3% over the same period of 2019 (same as below); China's total import and export of goods amounted to approximately RMB32,155.7 billion, representing an increase of approximately 1.9% over the previous year, with its market share in international markets hitting record high, which further consolidated China's position as the largest trading nation. Among which, export of goods increased by approximately 4.0% to approximately RMB17,932.6 billion and import of goods decreased by approximately 0.7% to approximately RMB14,223.1 billion for the full year. After offsetting import against export, foreign trade surplus amounted to approximately RMB3,709.6 billion, representing an increase of approximately RMB797.6 billion over the previous year. For the port operation business, China's port cargo throughput was approximately 14.55 billion tonnes in 2020, representing a year-on-year increase of approximately 4.3%, while the port container throughput was approximately 264.30 million TEUs, representing a year-on-year growth of approximately 1.2%.

### Foreign Trade in Fujian and Ports in Xiamen

In 2020, Fujian Province stuck to prevent and control the Epidemic scientifically and precisely according to laws, made solid progress in resumption of work and production of major projects and key industries, to realize production in a full capacity and reach design capacity. It has also introduced supportive policies in time for resuming work and stabilizing jobs, stabilizing foreign trade and foreign investment as well as promoting consumption, insisted on the strategy of expanding domestic demand and put efforts to keep the economy operating within a reasonable range. According to the Fujian Provincial Government, the gross



## Management Discussion and Analysis

domestic product (“GDP”) of Fujian Province in 2020 was approximately RMB4,390.39 billion, representing a year-on-year growth of approximately 3.3%. The total export and import amount of foreign trade was approximately RMB1,403.57 billion, representing a year-on-year increase of approximately 5.5%, among which, the export of goods for the whole province was approximately RMB847.44 billion, representing a year-on-year increase of approximately 2.3%, while the import of goods was approximately RMB556.12 billion, representing a year-on-year increase of approximately 10.6%. The port cargo throughput amounted to approximately 621 million tonnes, representing a year-on-year increase of approximately 4.5%, and the container throughput was approximately 17.20 million TEUs, representing a year-on-year decrease of approximately 0.3%.

In 2020, while coordinating the promotion of Epidemic prevention and control, Xiamen insisted on attracting investment to promote development and focused on projects to increase the momentum of development. It has deeply implemented landmark projects such as “Silk Road Maritime” and promoted the construction of innovation center for BRICS Partnership on New Industrial Revolution in Xiamen with high standards, and actively built an international shipping center. The economy operation in Xiamen continuously became stable and achieved progress while maintaining stability. In 2020, the total import and export of foreign trade in Xiamen City was approximately RMB691.58 billion, representing a year-on-year increase of approximately 7.8%, of which export of goods was approximately RMB357.29 billion and import of goods was approximately RMB334.29 billion, representing a year-on-year increase of approximately 1.2% and 16.0%, respectively. The total container throughput of Xiamen port was approximately 11.405 million TEUs, representing an increase of approximately 2.5% over 2019, its container throughput continuously ranked seventh among the ports in Mainland China and fourteenth among container ports in the world, accounting for approximately 66.3% 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, Quanzhou port, and Chaozhou port of Guangdong, including container port operations, bulk/general cargo port operations and comprehensive port logistics 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 35 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 meters to 17.5 meters 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 (i) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 16); and (ii) 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, Huajin Terminal (berths No. 1 to No. 3 of Huajin Terminal) in Quanzhou port, as well as Chaozhou Xiaohongshan Terminal in the new port area of Sanbaimen, Chaozhou City, Guangdong Province (berths No. 1 and No. 2 in the new port area of Sanbaimen, Chaozhou) for bulk/general cargo loading and unloading operations of international and domestic trade.

Apart from the aforesaid 35 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 Xiamen Port Haixiang Terminal Co., Ltd. (廈門港務海翔碼頭有限公司) (“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 logistics business since 20 November 2012.

## Management Discussion and Analysis

### Container Port Business

During the Year, the Group achieved a container throughput of 9,615,630 TEUs. Details of the container throughput handled by each terminal are as follows:

	Container throughput		
	2020 (TEUs)	2019 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group <sup>①</sup>	5,062,464	4,953,139	2.21%
XICT and XHICT <sup>②</sup>	984,654	1,000,092	(1.54%)
Songyu Terminal <sup>③</sup>	1,424,387	1,130,864	25.96%
Xinhaida Terminal <sup>④</sup>	1,436,189	1,492,176	(3.75%)
Total throughput in Xiamen	8,907,694	8,576,271	3.86%
Fuzhou Zhongying Terminal <sup>⑤</sup>	285,358	282,231	1.11%
Quanzhou Huajin Terminal <sup>⑥</sup>	421,220	399,069	5.55%
Chaozhou Xiaohongshan Terminal <sup>⑦</sup>	1,358	—	100%
Total throughput	9,615,630	9,257,571	3.87%

- ① 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.
- ② Xiamen International Container Terminals Limited ("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.
- ③ 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.
- ④ 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 logistics business.
- ⑤ 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 Co., Ltd. ("Xiamen Port Development").
- ⑥ Chaozhou Xiaohongshan Terminal has commenced operation since June 2020. Therefore, the relevant operating figures of this terminal from June to December 2020 were set out in this chart accordingly.

## Management Discussion and Analysis

In 2020, the Group proactively and scientifically coordinated the Epidemic prevention and control and port production, strictly implemented various Epidemic prevention and control measures of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases”. In view of a slight drop in container throughput in the first half of the year due to the impact of the Epidemic, the Group promptly adopted active response measures and strived to ensure both Epidemic prevention and control and safe production. Container throughput for the full year increased by approximately 3.87% over the previous year. Among which, the container port business in Xiamen increased by approximately 3.86% over the previous year, mainly because (1) the accurate implementation of policies encouraged transshipment, which effectively facilitated the convergence of goods from various resources, and the international transit route layout achieved significant results. The international container transit business completed approximately 844 thousand TEUs, representing an increase of approximately 38.7% over the previous year, and (2) the deepening of strategic port-shipping cooperation. Various measures have been taken simultaneously to consolidate the position of Xiamen as a regional hub port for domestic trade, with the focus on expanding and developing domestic trade container business in the Liuwudian port area. Domestic trade container business totally completed approximately 3,259 thousand TEUs for the full year, representing an increase of approximately 5.5% over the previous year. Fuzhou Zhongying Terminal made efforts to promote the development of Fuzhou-Xiamen feeder line business, strived to introduce new customers and opened new branch lines and new shipping lines, with its throughput increasing by approximately 1.11% over the previous year. Quanzhou Huajin Terminal enhanced its marketing activities, assisted shipping companies to strengthen shipping line promotion and expanded the “Replacement of Bulk Shipments with Container Shipments” business growth points based on its own advantages, all of which led to a steady increase in the shipping routes business on the whole. Its container throughput has increased by approximately 5.6% over the previous year.

## Management Discussion and Analysis

### Bulk/General Cargo Port Business

In 2020, the total annual bulk/general cargo throughput achieved by the Group was 26,348,202 tonnes, details of which are as follows:

	Bulk/general cargo throughput		
	2020 (Tonnes)	2019 (Tonnes)	Increase/ (Decrease)
Hailong Terminal, ITG Terminal and Songyu Terminal <sup>①</sup>	7,224,328	6,535,983	10.53%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal <sup>②</sup>	17,515,131	18,840,252	(7.03%)
Total throughput in Xiamen	24,739,459	25,376,235	(2.51%)
Fuzhou Zhongying Terminal <sup>③</sup>	35,460	30,096	17.82%
Quanzhou Huajin Terminal <sup>④</sup>	1,557,115	1,834,667	(15.13%)
Chaozhou Xiaohongshan Terminal <sup>⑤</sup>	16,168	—	100%
Total throughput	26,348,202	27,240,998	(3.28%)

① 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 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.

② Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016, Shihushan Terminal has leased berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port 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 Mingda Terminal.

③ 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 logistics business.

④ 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.

⑤ Chaozhou Xiaohongshan Terminal has commenced operation since June 2020. Therefore, the relevant operating figures of this terminal from June to December 2020 were set out in this chart accordingly.

## Management Discussion and Analysis

During the Year, the bulk/general cargo port business of the Group decreased by approximately 3.3% over the previous year, while the bulk/general cargo port business of Xiamen region recorded a decrease of approximately 2.5% over the previous year, primarily due to: (1) the coal business of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal decreased by approximately 2.4% over the previous year as the total coal demand declined caused by the Epidemic-led suspension of infrastructure construction and production line operation in China in the first-half of the year, as well as other affecting factors such as the adjustment of coal import policies of the Customs. The iron business decreased significantly over the previous year, which was due to the effects of factors such as vessel up-sizing and the competition with the terminals around, and (2) the overall business of Hailong Terminal and other terminals for general cargo increased by approximately 10.5% over the previous year, as Haixiang Terminal explored new export business to Taiwan with its geographical advantages, as well as expanded business of other commodities such as foreign trade grain, quarry stone and steel for foreign trade, which, to some extent, made up for the difference in throughput at Shihushan Terminal and others. The throughput of general cargo of Fuzhou Zhongying Terminal increased by approximately 17.8% over the previous year, primarily due to the fact that the reasonable arrangement of berthing voyage of container ships and general cargo ships better guaranteed the efficiency of operation time window for general cargo ships. The bulk cargo throughput of Huajin Terminal decreased by approximately 15.1% over the previous year, which was mainly caused by the delay of production resumption requirements in factories due to the Epidemic, of its coal and sandstone business, as well as the environmental protection policies.

With regard to the above conditions, the Group has taken proactive measures to promote the growth of the Group's overall bulk/general cargo business. On the one hand, the bulk/general cargo business coverage was expanded and the new commodities business exploration was enhanced to grow new business growth points. On the other hand, the equipment upgrade and reconstruction in Hailong Terminal, Haixiang Terminal and Mingda Terminal were accelerated and the supporting equipment including gantry crane was improved to enhance bulk cargo operation capability. Meanwhile, the combined marketing of enterprises (such as Hailong Terminal and Shihushan Terminal) was strengthened on the basis of the resources integration of bulk/general cargo terminals, in order to coordinate the allocation of terminal resources, increase the business competitiveness and strive to meet the needs of port businesses development.

### **Port Comprehensive Logistics Services**

Port comprehensive logistics services of the Group mainly include a number of businesses, such as shipping agency, tallying, tugboat-assisted berthing and unberthing, and port-related logistics services. During the Reporting Period, the Group fully utilised the advantages of the supply chain of the port comprehensive



## Management Discussion and Analysis

logistics services, minimized the impact of the Epidemic through adopting proactive measures, intensified overall marketing efforts, and promoted the interactive development between port comprehensive logistics services and terminal loading and unloading business. During the year under review, the tugboat-assisted berthing and unberthing business of the Group maintained its steady market shares inside Xiamen port, the market layout outside Xiamen port presented good performance on the whole, and the expansion of other extended services including, among others, maritime towing business, achieved prominent performance; impacted by the Epidemic, for the shipping agency business, the number of agency ships decreased, but it continued to maintain an advantageous position in the container and bulk cargo shipping agency market, the cargo volume and container throughput under our agency services both recorded increases of more than 8%; the tallying business promoted technological innovation and business process reengineering, realized electronic visa for container tallying, expanded value-added services such as inspection and testing, achieving good operating results. During the outbreak of the Epidemic, port-related logistics services actively performed their social responsibilities to reduce and exempt the rentals due from warehousing clients, strengthened customer cooperation and optimized the process, although their overall business volume slightly declined, their LCL (i.e. less than container load) business volume bucked the trend and increased by approximately 15%. The business related to the China-Europe regular railway developed rapidly.

### **Merchandise Trading Business**

In 2020, taking advantage of the port platform under the complex market environment, the Group focused on the development of the core products and portside supply chain business in order to build an operating model that consolidated upstream and downstream resources of commodities step by step in accordance with the operation philosophy of port and trade integration. Under the influence of the policies adjustment made by the Customs on the traditional coal business and taking into account the impact of the appreciation of RMB and the inbound of overseas production orders, the Group strived to develop market businesses, such as steel, plastic chemical industry, pulp and agricultural products, which contributed to the business growth of the port throughput of the Group and led to a significant increase in the operating income and benefits of trade business during the Reporting Period. Meanwhile, combined with the complex economic and trading situations, the Group actively strengthened the risks management and control of trade business, enhanced the construction of the internal control system, improved customer credit management and strived to promote the steady operation of enterprises.

### FINANCIAL REVIEW

During the Reporting Period, the Group actively seized market opportunities, strengthened revenue increasing and expenditures reducing, proactively studied and made use of national finance, taxation and industry support policies in response to the Epidemic, strictly controlled enterprise production and operating costs, and strived to promote the stable development of the enterprises.

#### Revenue

Revenues of the Group increased by approximately 27.0% from approximately RMB13,933,106,000 for the year ended 31 December 2019 to approximately RMB17,691,738,000 for the year ended 31 December 2020. The increase was mainly due to the increase in revenue from the Group's trading business of merchandise.

#### Revenue by business sector

Business	For the year ended 31 December		
	2020 (RMB'000)	2019 (RMB'000)	Increase/ (decrease)
Container loading and unloading and storage business	2,065,987	2,039,380	1.3%
Bulk/general cargo loading and unloading business	833,107	788,130	5.7%
Comprehensive port logistics service	832,585	876,271	(5.0%)
Manufacturing and selling of building materials	419,815	457,651	(8.3%)
Trading business of merchandise	13,540,244	9,771,674	38.6%
<b>Total</b>	<b>17,691,738</b>	13,933,106	27.0%

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2020 compared with 2019 are as follows:

1. The revenue of the Group's container loading and unloading and storage business this year increased by 1.3% as compared to the year ended 31 December 2019, which was mainly due to the overall increase of container throughput by 3.9%;
2. The revenue of the Group's bulk/general cargo loading and unloading business this year increased by 5.7% as compared to the year ended 31 December 2019, which was mainly due to the substantial increase in the operation volume of bulk cargo in Hailong operation area of Hailong Terminal;



## Management Discussion and Analysis

3. The revenue of the Group's comprehensive port logistics services this year decreased by 5.0% as compared to the year ended 31 December 2019, mainly because the business volume of Port Logistics slightly dropped due to the Epidemic; in addition, the business volume of waste paper inspection 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) ("Haicang Inspection") decreased significantly affected by government environmental protection policy limiting the import of wastepaper;
4. The revenue of the Group's manufacturing and selling of building materials this year decreased by 8.3% as compared to the year ended 31 December 2019 because the powder and concrete business volume was affected by the Epidemic this year; and
5. The revenue of the Group's trading business this year increased by 38.6% as compared to the year ended 31 December 2019, which was mainly due to the significant increase in the trading business volume of chemicals and steels.

### Cost of sales

Cost of sales increased by approximately 29.9% from approximately RMB12,676,185,000 for the year ended 31 December 2019 to approximately RMB16,460,601,000 for the year ended 31 December 2020. The increase was primarily due to the increase in the cost of trading merchandise.

- Cost of trading merchandise and cost of inventories consumed increased by approximately 36.1% from approximately RMB10,324,752,000 for the year ended 31 December 2019 to approximately RMB14,049,726,000 for the year ended 31 December 2020. The increase was mainly due to the significant increase in the business volume of chemicals and steels.
- Employee benefits expense slightly decreased by approximately 0.3% from approximately RMB900,712,000 for the year ended 31 December 2019 to approximately RMB898,448,000 for the year ended 31 December 2020, which remained approximately the same as last year. There was no significant change.

### Gross profit

Due to the decrease of portion of local container for foreign trade and increase of portion of transfer and empty container, the Group's gross profit decreased by approximately 2.1% from approximately RMB1,256,921,000 for the year ended 31 December 2019 to approximately RMB1,231,137,000 for the



## Management Discussion and Analysis

year ended 31 December 2020. Gross profit margin of the Group decreased from approximately 9.0% for the year ended 31 December 2019 to approximately 7.0% for the year ended 31 December 2020. 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 margin.

### Other losses

The Group's other losses increased by 685.9%, from approximately RMB4,147,000 in loss for the year ended 31 December 2019 to approximately RMB32,590,000 in loss for the year ended 31 December 2020. The increase was primarily due to the fair value change of derivative financial instrument of the Group's trading business of merchandise, the instruments was used to mitigate trading business's inventory pricing risk.

### Operating expenses

The Group's operating expenses increased by 12.9%, from approximately RMB447,276,000 for the year ended 31 December 2019 to approximately RMB505,050,000 for the year ended 31 December 2020. The increase was primarily due to the increase in revenue in trading business of merchandise for the Year along with increase in operating expenses.

### Operating profit

The Group's operating profit decreased by approximately 5.6% from approximately RMB1,124,478,000 for the year ended 31 December 2019 to approximately RMB1,061,267,000 for the year ended 31 December 2020. The Group's operating profit margin decreased from approximately 8.1% for the year ended 31 December 2019 to approximately 6.0% for the year ended 31 December 2020, which was mainly due to the impact of the Epidemic which resulted in decrease in operating profit of the Group's container loading and unloading and storage business for the Year.

### Income tax expense

The Group's income tax expense decreased by approximately 9.3% from approximately RMB232,159,000 for the year ended 31 December 2019 to approximately RMB210,539,000 for the year ended 31 December 2020. The decrease was mainly due to the decrease of profit before income tax expense.



## Management Discussion and Analysis

### **Profit for the Year**

The Group's profit for the Year decreased by approximately 7.8% from approximately RMB668,759,000 for the year ended 31 December 2019 to approximately RMB616,579,000 for the year ended 31 December 2020. The Group's profit margin was approximately 4.8% for the year ended 31 December 2019 and approximately 3.5% for the year ended 31 December 2020. The decrease in profit margin for the Year was mainly due to the impact of the Epidemic which resulted in decrease in operating profit of the Group's container loading and unloading and storage business for the Year.

### **Total comprehensive income for the Year**

Total comprehensive income for the Year decreased by approximately 9.5% from approximately RMB671,980,000 for the year ended 31 December 2019 to approximately RMB608,274,000 for the year ended 31 December 2020. The decrease was mainly due to the impact of the Epidemic which resulted in decrease in operating profit of the Group's container loading and unloading and storage business 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 decreased by approximately 14.7% from approximately RMB389,075,000 for the year ended 31 December 2019 to approximately RMB331,905,000 for the year ended 31 December 2020. The decrease was mainly because the portion of non-controlling interests of Shihushan Terminal decreased for the Year, resulting total comprehensive income for the Year attributable to non-controlling interests decreased.

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

Total comprehensive income for the Year attributable to owners of the Company decreased by approximately 2.3% from approximately RMB282,905,000 for the year ended 31 December 2019 to approximately RMB276,369,000 for the year ended 31 December 2020. Total comprehensive income for the Year decreased by approximately 9.5%, however the portion of owners of the Company of Shihushan Terminal increased which led to a smaller decrease of total comprehensive income for the Year attributable to owners of the Company.

### **Accounts receivables**

The Group's net account receivables increased by approximately 18.8% from approximately RMB1,087,034,000 as at 31 December 2019 to approximately RMB1,291,799,000 as at 31 December 2020. The increase was primarily due to the increase in the accounts receivables of the trading business of merchandise at the end of this year.

As at 31 December 2020, the Group's gross accounts receivables were approximately RMB1,388,066,000 of which approximately RMB1,143,373,000 account receivables were aged within six months, accounting for approximately 82.4% of the total account receivables, approximately RMB62,524,000 were aged between six months to one year, approximately RMB98,821,000 were aged between one year to two years, approximately RMB2,383,000 were aged between two years to three years and approximately RMB80,965,000 were aged over three years.

### **Accounts and notes payables**

The Group's accounts and notes payables increased by approximately 52.8% from approximately RMB1,264,205,000 as at 31 December 2019 to approximately RMB1,932,098,000 as at 31 December 2020. This was primarily due to the increase in the accounts and notes payables of the trading business of merchandise at the end of this year.

As at 31 December 2020, the Group's accounts and notes payables within one year were approximately RMB1,836,001,000 accounting for approximately 95.0% and due over one year were approximately RMB96,097,000, accounting for approximately 5.0%.

### **Borrowings**

The Group's borrowings increased from approximately RMB7,438,334,000 as at 31 December 2019 to approximately RMB7,451,073,000 as at 31 December 2020, which remained approximately the same as last year.

As at 31 December 2020, borrowings due within one year were approximately RMB6,572,544,000, due within one to two years were approximately RMB80,191,000, due within two to five years were approximately RMB283,045,000 and due over five years were approximately RMB515,293,000.



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As at 31 December 2020 the Group's total bank borrowings guaranteed were approximately RMB495,468,000, where an USD bank borrowing that is equivalent to RMB11,101,000 was guaranteed by China Construction Bank, a bank borrowing of RMB484,367,000 was guaranteed by non-controlling shareholders of subsidiaries. The Group's total secured bank borrowings were approximately RMB166,784,000, where a bank borrowing of RMB107,497,000 was secured by land use rights and a bank borrowing of RMB59,287,000 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 2019 and 2020 respectively:

	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	1,421,757	1,352,752
Net cash used in investing activities	(1,980,795)	(779,459)
Net cash (used in)/generated from financing activities	(607,724)	627,061
Net (decrease)/increase in cash and cash equivalents	(1,166,762)	1,200,354
Cash and cash equivalents at beginning of year	1,883,432	681,633
Exchange (losses)/gains on cash and cash equivalents	(8,818)	1,445
Cash and cash equivalents at end of year	707,852	1,883,432

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 5.1% from approximately RMB1,352,752,000 for the year ended 31 December 2019 to approximately RMB1,421,757,000 for the year ended 31 December 2020. The main reasons for the increase in net cash of operating activities include the decrease in net cash generated from operations of approximately RMB11,803,000, the decrease in income tax expense paid of approximately RMB90,769,000 and the increase in interest paid of approximately RMB9,961,000 in 2020.

### Investing activities

The Group's net cash used in investing activities increased from outflow of approximately RMB779,459,000 for the year ended 31 December 2019 to outflow of approximately RMB1,980,795,000 for the year ended 31 December 2020. The cash outflow in investment activities in 2020 was mainly due to purchase of financial assets at fair value through profit and loss. The main reasons for the increase in net cash used in investing activities include the change of net cash generated from financial assets at fair value through profit and loss in 2020 from net inflow of approximately RMB542,256,000 last year to net outflow of approximately RMB1,754,736,000, and the decrease of term deposit resulted in the increase of approximately RMB400,187,000 in net cash inflow.

### Financing activities

The Group's net cash (used in)/generated from financing activities changed from inflow of approximately RMB627,061,000 for the year ended 31 December 2019 to outflow of approximately RMB607,724,000 for the year ended 31 December 2020. The decrease in net cash inflow generated from financing activities in 2020 was primarily because the payment of dividends to non-controlling interest and settlements of lease liabilities increased by approximately RMB120,976,000. Additionally, the net cash outflow from borrowing and repayment of loans were approximately RMB44,395,000 for the Year, representing a significantly decrease compared with last year's net cash inflow of approximately RMB982,668,000.

### Capital expenditure

The Group's capital expenditures for the year ended 31 December 2019 and for the year ended 31 December 2020 primarily included expenditures on port terminal infrastructure and purchase of equipment and machineries. The following table sets out the Group's capital expenditures in 2019 and 2020:

	2020 RMB'000	2019 RMB'000
Total capital expenditure	<b>606,572</b>	672,818

### Capital expenditure commitments

As at 31 December 2020, the Group's capital expenditure commitments were approximately RMB458,101,000 mainly consisting of expenditure on constructing and improvement in port and storage infrastructure, acquisition of new loading machineries, other machineries and building renovation.



## Management Discussion and Analysis

### Material Subsidiaries of the Company

	Xiamen Terminal Group RMB'000	Xiamen Port Development RMB'000
Principal activities	Container loading and unloading, transfer, storage and other related port services	Bulk/general cargo loading and unloading, storage and other related port services; comprehensive port logistics service; trading business of merchandise
Percentage of shareholding	59.45%	61.89%
Cost of investment	4,143,535	1,196,757
The scale of investments in its total asset value	38.24%	11.04%
Financial performance for the Year-net profit	460,781	222,601
Dividends received for the Year	319,399	5,804

### Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB, EUR and US dollars. To the extent that RMB appreciates (or depreciates) against US dollars and EUR, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, 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 2020.

The Group has not adopted any means to hedge its foreign currency exposure. Nevertheless, the foreign currency exposure is still 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, 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, changed from approximately 31.0% as at 31 December 2019 to approximately 34.86% as at 31 December 2020.

### EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2020, the Group had a total of 7,082 employees, representing a decrease of 287 employees as compared to 31 December 2019. The decrease was mainly due to the transfer of the equity interest in XRBM held by the Group to Xiamen Sunstone, which led to the institutionalized re-allocation of the employees of XRBM accordingly, as well as the natural retirement of certain employees of the Group. During the Year, the total staff cost accounted for approximately 8.2% of the revenue of the Group. The remuneration of the Group's employees included 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 7 January 2020, Xiamen Penavico International Freight and Forwarding Co., Ltd. (廈門外代國際貨運有限公司) ("Penavico International"), a subsidiary of the Company, established Penavico International Zhangzhou Branch in No. 9, Hongjian Road, Jinshan Village, Jiaomei Town, Taiwanese Investment Zone, Zhangzhou City, Fujian Province, which is principally engaged in businesses such as international freight agency, the other warehousing (excluding the projects subject to permits and approvals), import and export of all types of goods and technologies (excluding those goods and technologies the state restricts companies to operate or prohibits to import and export), road transportation of goods (excluding dangerous goods transport), coastal and inland river transportation of goods and customs declaration, non-vessel operating common carry and domestic vessel agency, and the relevant industrial and commercial registration formalities have been completed.

On 14 February 2020, XRBM, a subsidiary of the Company, invested in establishing Xiamen Xinrunyan New Materials Co., Ltd. (廈門欣潤岩新材料有限公司) ("Xinrunyan") in Xiamen City, Fujian Province, which is principally engaged in businesses such as the production, research and development of the concrete admixtures and admixture materials of new building materials. The registered capital of Xinrunyan is RMB10.00 million, which is held as to 100% by Road and Bridge Building Materials, and the relevant industrial and commercial registration formalities have been completed.



## Management Discussion and Analysis

On 3 June 2020, Penavico International established Penavico International Quanzhou Branch at Office Building A, No. 18 Jikong District, Cuoshang Village, Jinshang Town, Shishi City, Quanzhou City, Fujian Province, which is principally engaged in businesses such as international freight agency, the other warehousing (excluding the projects subject to permits and approvals), import and export of all types of goods and technologies (excluding those goods and technologies the state restricts companies to operate or prohibits to import and export), road transportation of goods (excluding dangerous goods transport), coastal and inland river transportation of goods and customs declaration, non-vessel operating common carry and domestic vessel agency, and the relevant industrial and commercial registration formalities have been completed.

### OTHER MAJOR EVENTS IN 2020

On 27 February 2020, the Company has 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 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 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 has 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 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 in 2019.

On 8 April 2020, the Company has completed the issue of the third tranche of the super short-term notes in 2020 with a term of 91 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 1.94% per annum. The net proceeds from the issue of the third tranche super short-term notes in 2020 are entirely used for repaying the Company's fourth tranche super short-term notes in 2019.

On 22 April 2020, the Company has completed the issue of the fourth tranche of the super short-term notes in 2020 with a term of 177 days from the date of issue with a total principal amount of RMB300,000,000 at a fixed interest rate of 1.73% per annum. The net proceeds from the issue of the fourth tranche super short-term notes in 2020 are entirely used for supplementing the Group's liquidity so as to satisfy the capital requirements of the Group's business operations.



## Management Discussion and Analysis

On 14 May 2020, the Company has completed the issue of the fifth tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 1.75% per annum. The net proceeds from the issue of the fifth tranche super short-term notes in 2020 are entirely used for repaying the Company's fifth tranche super short-term notes in 2019.

On 3 June 2020, the Company has completed the issue of the sixth tranche of the super short-term notes in 2020 with a term of 93 days from the date of issue with a total principal amount of RMB200,000,000 at a fixed interest rate of 1.58% per annum. The net proceeds from the issue of the sixth tranche super short-term notes in 2020 are entirely used for supplementing the Group's liquidity so as to satisfy the capital requirements of the Group's business operations.

On 2 July 2020, the Company has completed the issue of the seventh tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB250,000,000 at a fixed interest rate of 2.15% per annum. The net proceeds from the issue of the seventh tranche of the super short-term notes in 2020 are entirely used for repaying the Company's third tranche super short-term notes in 2020.

On 20 July 2020, the Company has completed the issue of the eighth 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 RMB350,000,000 at a fixed interest rate of 2.35% per annum. The net proceeds from the issue of the eighth tranche of the super short-term notes in 2020 are entirely 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 5 August 2020, Xiamen Port Development (a non-wholly owned subsidiary of the Company) has entered into a capital increase agreement with Xiamen Port Holding (the controlling shareholder of the Company), pursuant to which Xiamen Port Development and Xiamen Port Holding have agreed to contribute additional capital by the injection of the entire equity interest in (i) Xiamen Hailong (a non-wholly owned indirect subsidiary of the Company) by Xiamen Port Development; and (ii) Xiamen Haihong (a wholly-owned subsidiary of Xiamen Port Holding) by Xiamen Port Holding into the Shihushan Terminal (a non-wholly owned indirect subsidiary of the Company), respectively. The total value of the capital injection by Xiamen Port Development and Xiamen Port Holding amounts to approximately RMB1,526,273,200, of which the value of the entire equity interest of Xiamen Hailong amounts to approximately



## Management Discussion and Analysis

RMB1,208,737,100 and the value of the entire equity interest of Xiamen Haihong amounts to approximately RMB317,536,100. Upon the completion, Xiamen Port Development's shareholding in Shihushan Terminal will increase from 51% to 65.08%, and Xiamen Port Holding's shareholding in Shihushan Terminal will decrease from 49% to 34.92%. For details of the above transaction, please refer to the announcement of the Company dated 5 August 2020, and the circular of the Company dated 31 August 2020.

On 10 August 2020, the Company has completed the issue of the ninth tranche of the super short-term notes in 2020 with a term of 89 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 2.48% per annum. The net proceeds from the issue of the ninth tranche super short-term notes in 2020 are entirely used for repaying the Company's fifth tranche super short-term notes in 2020.

On 15 August 2020, the Board has been notified by Xiamen Port Holding, after studied by the CPC Fujian Provincial Committee and the Fujian Provincial People's Government, the Fujian Provincial People's Government has expressly approved in writing on even date that the State-owned Assets Supervision and Administration Commission of the People's Government of Fujian Province (福建省人民政府國有資產監督管理委員會) ("Fujian SASAC") intends to organise and establish Fujian Province Port Group Limited Liability Company ("Fujian Port Group") and integrate the state-owned assets relating to port and shipping businesses of Fujian SASAC and the various prefectural-level cities within the province into Fujian Port Group, of which Xiamen Port Holding will be institutionalised and integrated into Fujian Port Group as a wholly-owned subsidiary. According to the above approval, the Board expects that such integration would involve changes of the effective controlling rights of the Company and Xiamen Port Development, where upon completion the ultimate beneficial owner of the Company will be changed from the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) ("Xiamen SASAC") to Fujian SASAC. For details of the above transaction, please refer to the announcement of the Company dated 16 August 2020.

On 21 August 2020, the Company has completed the issue of the tenth tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB550,000,000 at a fixed interest rate of 2.47% per annum. The net proceeds from the issue of the tenth tranche super short-term notes in 2020 are entirely used for repaying the Company's first tranche super short-term notes in 2020.

## Management Discussion and Analysis

On 2 September 2020, the Company has completed the issue of the eleventh tranche of the super short-term notes in 2020 with a term of 90 days from the date of issue with a total principal amount of RMB700,000,000 at a fixed interest rate of 2.88% per annum. The net proceeds from the issue of the eleventh tranche super short-term notes in 2020 are entirely used for repaying the second tranche super short-term notes in 2020 and the sixth tranche super short-term notes in 2020 of the Company.

On 17 September 2020, the Company has completed the issue of the twelfth 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 RMB300,000,000 at a fixed interest rate of 3.20% per annum. The net proceeds from the issue of the twelfth tranche super short-term notes in 2020 are entirely used for repaying the Company's first tranche corporate bonds in 2017.

On 28 September 2020, the Company has completed the issue of the thirteenth tranche of the super short-term notes in 2020 with a term of 179 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.28% per annum. Among the net proceeds from the issue of the thirteenth tranche super short-term notes in 2020, RMB250,000,000 are used for repaying the Company's seventh tranche super short-term notes in 2020, the other RMB250,000,000 are used for supplementing the Group's liquidity so as to satisfy the capital requirements of the Group's business operations.

On 14 October 2020, the Company has completed the issue of the fourteenth tranche of the super short-term notes in 2020 with a term of 177 days from the date of issue with a total principal amount of RMB250,000,000 at a fixed interest rate of 3.25% per annum. The net proceeds from the issue of the fourteenth tranche super short-term notes in 2020 are entirely used for repaying the Company's fourth tranche super short-term notes in 2020.

On 16 October 2020, the Company has been informed by Xiamen Port Holding that on the same day, the Xiamen SASAC entered into a transfer agreement with Fujian Port Group in respect of, among others, the proposed transfer of the entire equity interest in Xiamen Port Holding from Xiamen SASAC to Fujian Port Group at nil consideration (the "Proposed Transfer") as part of the implementation of the Integration Proposal. Immediately after completion of the Proposed Transfer, Xiamen Port Holding will become a wholly-owned subsidiary of Fujian Port Group. Completion of the Proposed Transfer is subject to: (i) clearance from the State Administration for Market Regulation of the People's Republic of China on Anti-Monopoly Notification for Concentrations of Undertaking; and (ii) any third party consent required for the Proposed Transfer (if applicable). For details of the above matter, please refer to the announcement of the Company dated 16 October 2020.



## Management Discussion and Analysis

On 28 October 2020, Xiamen Port Development has entered into an equity transfer agreement with Xiamen Sunstone, pursuant to which Xiamen Port Development has transferred its entire equity interest in XRBM to Xiamen Sunstone at a consideration of RMB129,580,000, and the industrial and commercial changing registration procedures were completed on 24 December 2020. On the same date of the entering into of the equity transfer agreement, Xiamen Port Development also entered into a subscription agreement with Xiamen Sunstone and Xiamen Road & Bridge Construction Group Co., Ltd (廈門路橋建設集團有限公司) (“XRBG”), pursuant to which Xiamen Port Development has subscribed for the 8,854,000 new shares in Xiamen Sunstone to be issued and allotted to it at the consideration of RMB129,507,458. Following the subscription completion, the equity interest of Xiamen Sunstone is owned by XPD as to 8.10%, and the industrial and commercial changing registration procedures of the above shares subscription were completed on 3 February 2021. For details of the above transactions, please refer to the announcements of the Company dated 28 October 2020, 10 December 2020 and 4 February 2021, respectively, and the circular of the Company dated 24 November 2020.

On 4 November 2020, the Company has completed the issue of the fifteenth tranche of the super short-term notes in 2020 with a term of 120 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.40% per annum. The net proceeds from the issue of the fifteenth tranche super short-term notes in 2020 are entirely used for repaying the Company’s ninth tranche super short-term notes in 2020.

On 16 November 2020, the Company has completed the issue of the sixteenth tranche of the super short-term notes in 2020 with a term of 120 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.56% per annum. The net proceeds from the issue of the sixteenth tranche super short-term notes in 2020 are entirely used for repaying the Company’s tenth tranche super short-term notes in 2020.

### SUBSEQUENT EVENTS

On 18 January 2021, Ocean Shipping Agency, a subsidiary of the Company, invested and established Zhangzhou Haiming Logistics Co., Ltd. (漳州海明物流有限公司) in Zhangzhou, Fujian Province, mainly engaged in road cargo transportation, waterway general cargo transportation, customs declaration business, bonded warehouse operation and other businesses. The registered capital of Haiming Logistics is RMB2,000,000 and Xiamen Shipping Agency holds 100% of the shares. The relevant industrial and commercial registration procedures have been completed.

## Management Discussion and Analysis

On 26 February 2021, the Company has been informed by Xiamen Port Holding of the relevant change of the industrial and commercial registration due to completion of the Proposed Transfer. Which based on (i) the entire equity interest in Xiamen Port Holding is held by Fujian Port Group, and Xiamen Port Holding has become a wholly-owned subsidiary of Fujian Port Group; and (ii) the ultimate beneficial owner of the Company has been changed from Xiamen SASAC to Fujian SASAC.

On 12 March 2021, the Company has completed the issue of the first tranche of the super short-term notes in 2021 with a term of 180 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 3% per annum. Among the net proceeds from the issue of the first tranche super short-term notes in 2021, RMB800,000,000 are used for repaying the Company's twelfth tranche super short-term notes in 2020 and the Company's sixteenth tranche super short-term notes in 2020. In addition, the remaining RMB200,000,000 are used for supplementing the working capital of the Group so as to satisfy the requirement of its business development.

On 12 March 2021, Xiamen Terminal Group and SITC Logistics Co., Ltd. (海豐物流有限公司) ("SITC Logistics") jointly invested in establishing Xiamen Fanhailian International Integrated Logistics Co., Ltd. (廈門泛海聯國際綜合物流有限公司) ("Fanhailian") in Xiamen City, Fujian Province, which principally engages in businesses such as loading, unloading and transport, cargo storage, and city distribution and transportation services. The registered capital of Fanhailian is RMB6.00 million, which is held as to 51% by Xiamen Terminal Group and 49% by SITC Logistics, and the relevant industrial and commercial registration formalities have been completed.

On 24 March 2021, the Company has completed the issue of the second tranche of the super short-term notes in 2021 with a term of 177 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.99% per annum. The Company intends to use RMB500,000,000 of the net proceeds from the issue of the second tranche super short-term notes in 2021 to repay the Company's thirteenth tranche super short-term notes in 2020. In addition, the Company intends to use the remaining RMB300,000,000 to supplement the working capital of the Group so as to satisfy the requirement of its business development.



## Management Discussion and Analysis

### FUTURE PROSPECTS

2021 is the first year of China's "14th Five-Year Plan", and it is also a particularly important year in the process of China's modernization drive. Looking forward to 2021, with the popularization of COVID-19 vaccine and the control of the Epidemic, the economies of the world's major economies may face a full recovery, which will drive the growth of global trade. From an international perspective, according to the forecast by the International Monetary Fund in January 2021, the global economic growth in 2021 is expected to be approximately 5.5%, but the above growth will depend to a large extent on the speed of promotion for COVID-19 vaccine, the degree of medical intervention and the effectiveness of policy support in various countries. There are still numerous uncertainties in the changes of the Epidemic and the external environment, and the world economic situation is still complex and severe. The development of Chinese foreign trade faces various unstable and uncertain factors. On the other hand, the entering into of the Regional Comprehensive Economic Partnership Agreement ("RECP") and the negotiations on the China-EU investment agreement were completed as scheduled at the end of 2020, which will be conducive to the recovery of world economy and trade and the construction of the world's multilateral trade free trade system. From a domestic perspective, although the current pressure on the prevention and control of the Epidemic to "Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases" is still great, the fundamentals of China's long-term economic upturn have not changed, and it is continuing to deliver. The Chinese government will adhere to the general principle of making progress while maintaining stability based on the new development stage, implement new development ideas, build a new development pattern, deepen supply-side structural reforms as the main line, reform and innovation as the fundamental driving force, and continue to implement proactive fiscal policies and sound monetary policies, constantly consolidate the prevention and control of the Epidemic and the stable recovery of the economy as well as put efforts to keep the economy operating within a reasonable range. Based on various circumstances, the Chinese government predicts that the growth rate of China's national economy will be more than 6% in 2021; while the Fujian Provincial Government anticipates that its growth rate of national economy will be approximately 7.5%, and the Xiamen City Government anticipates that its growth rate of national economy will be above 7.5% with its national economy striving to achieve sustained and stable development, which is laying a foundation for promoting the development of Xiamen port and its port business. At the same time, the continuous advancement and deepening of the resources integration of the ports in Fujian Province will also provide greater opportunities for the Group's market expansion, resource optimization and high-quality development.

## Management Discussion and Analysis

Based on the above forecast on economic and trade situations in 2021, the Company anticipates that the overall port business development in 2021 will be rather complicated. Consequently, in 2021 the Company will adhere to making progress, focusing on its core port business, taking effective measures, continuing to coordinate the Epidemic prevention and control and port development, seizing market opportunities and making efforts to push the Group forward to maintain its steady and high-quality development. The Group plans to conduct the following measures in 2021:

- To coordinate and promote the Epidemic prevention and control and port production. On the one hand, the Company will conduct strict management on the Epidemic prevention and control and safety production. The Company will strengthen the normal Epidemic prevention and control, implement the requirements of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases, and Implementing Prevention Measures Both on Persons and Goods” for accurate prevention and control; implement “Three-Year Action Plan for Special Rectification of Safety Production”, improve the efficiency of safety management, and ensure safety production. On the other hand, the Company will seize the opportunity to consolidate and strengthen our principal port businesses. Firstly, the Company will actively integrate into the new development pattern of mutual promotion of domestic and international dual circulation, seize the opportunity of the entering into of the RCEP agreement, the completion of negotiations on the China-EU investment agreement and the launch of the BRICS New Industrial Revolution Partnership Innovation Base, so as to expand new business and new market. Secondly, the Company will capture the opportunity of port resource integration in Fujian Province, promote container business and comprehensive port logistic services and other related businesses to become bigger and stronger, and enhance the core competitiveness. Thirdly, the Company will grasp the opportunity of the integrating and optimizing Xiamen Bonded Logistics Park into the comprehensive bonded zone and take full advantage of policies to develop free trade business and promote the high-quality development of the Group.
- To strengthen overall marketing and promote extended operation. The Company will continue to adopt the targeted marketing strategy, strengthen strategic port-shipping cooperation, enhance the collaborative capacity of the port terminal business and comprehensive port logistics business, promote key shipping companies to launch more shipping routes and liners. The Company will mainly rely on the platform of “Silk Road Shipping”, to continue improving the international container transshipment route, promoting the construction of the network of layout on container transshipment route for the domestic feeder lines, and focusing on expanding container incremental businesses such as international container transshipment, domestic feeder line container transshipment, domestic trade container transshipment, and businesses related to the “One Belt, One Road” initiative shipping routes.



## Management Discussion and Analysis

- To further implement the hinterland strategy and accumulate the strength for future development of ports. Firstly, the Company will strengthen the construction of land-based ports and branch ports, improve the layout of regional business networks, expand sea-rail combined transport and river-sea combined transport, establish a networked and diversified logistics service system, broaden the breadth of hinterland, and enhance the operation capacity of hinterland cargo sources in multiple dimensions. Secondly, the Company will strengthen the development of direct customers, high-quality customers and bulk customers, enhance the port and trade integration, increase the depth of value-added services, improve the cargo terminal services, and promote the attraction of traffic by cargo. Thirdly, the Company will expand the portside industry. It will deeply develop the market of cargo sources, actively tap the potential, focus on building a grain distribution center that radiates out Jiangxi Province, southwest of Fujian Province and other inland hinterlands based on Hailong Terminal, and make Haixiang Terminal stone trading center bigger and stronger.
- To promote high-quality service and facilitate quality and efficiency improvement. Firstly, the Company will improve the service capacity, to give play to the advantages of Songyu Terminal to normally undertake more than two container ships with 200,000 tonnes, innovate its business model, and strive for more business opportunities; promote the opening of Huajin Terminal and Chaozhou Terminal ports as soon as possible and the completion acceptance and operation of Berth No. 4 of Huajin Terminal, accelerate the improvement for supporting equipment and facilities of relevant container and bulk cargo terminal, and constantly meet the development needs of various businesses. Secondly, the Company will improve the service levels. The Company will continue to promote the supply-side structural reform, optimize the business environment, focus on promoting the integrated operation of Haicang port area, build a unified external service platform and improve service efficiency; promote the transformation and upgrading of Xiamen Bonded Logistics Park, optimize business operation process, tap customer demand and expand business model.
- To promote refined management and strengthen corporate governance. Firstly, the Company will enhance budget management cost control and increase the revenue while reducing expenditure, so as to improve corporate operational efficiency. Secondly, the Company will improve the internal control system, strengthen system construction and audit supervision, establish state-owned enterprises (SOEs) under the rule of law, and actively prevent and resolve various risks. Thirdly, the Company will promote enterprise reform, actively implement the “Three-Year Action Plan for SOE Reform”, promote the application of financial sharing system, and promote the reform of mixed ownership and the implementation of professional manager system. Fourthly, the Company will strengthen the



## Management Discussion and Analysis

capital operations. The Company will give play to the function of the capital operation platform of listed companies, continue to follow up the resources integration of the ports in Fujian Province, and timely promote the strategic development of the ports with capital operations. The Company will take advantages of the capital management center, promote the overall management of financing and fund application, use various financing tools with coordination and planning, optimize financing channels, and reduce capital costs.

- To implement the idea of “New Development” and to build a green and smart port. The Company will cultivate green ecological culture, continue to promote the progress of projects such as shore power for vessels, using electricity or gas instead of fossil fuel, 110KV substation for cruises, photovoltaic project construction and green lighting upgrades, so as to strengthen energy conservation management and pollution prevention; promote the in-depth integration of information technology and port production, focus on the construction of projects such as the full intelligent transformation of Hairun Terminal, the upgrading of container terminal operation system, and the optimization of container intelligent logistics platform, and promote the whole port coverage of intelligent tally system, so as to improve the efficiency and customer stickiness through informatization.
- Pursuant to the Options and Rights of First Refusal Agreement and Non-Competition Agreement entered into between the Company and Xiamen Port Holding and the Commitment Letter on Avoiding Horizontal Competition issued by Fujian Port Group to the Company, the Company will actively follow up on the relevant terminals assets and the progress of the terminal construction works and other relevant port businesses of Fujian Port Group and 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 the good corporate governance is the core of proper management of an organization, which helps to achieve the corporate goal and ensures a higher level of transparency, thus better protecting the interests of its shareholders. The Board strives to maintain, promote and enhance the corporate governance level of the Company with responsible attitude and policies in a timely, transparent and effective manner.

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 2020 to 31 December 2020 (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 for the year ended 31 December 2020. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

## THE BOARD

The Board operates based on the principle of maximizing the interests of the Company and its shareholders as a whole. The Board is responsible for leading and supervising the Group, and collectively facilitates continuous development of the Group through instructing and monitoring the Group's business.

## DIRECTORS

At the beginning of the Reporting Period, the fifth session of the Board comprised of 12 Directors, including two executive Directors, namely Mr. CAI Liqun 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.

In accordance with the Articles, the term of office of each of the Directors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company's first extraordinary general meeting in 2020 held on 28 February 2020, the twelve Directors in office, namely Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG

## Corporate Governance Report

Zirong, Ms. BAI Xueqing, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were re-elected and Mr. LIN Fuguang and Mr. CHEN Zhen were elected as the Directors of the sixth session of the Board, of which, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were the independent non-executive Directors. On the same date, the Company convened the first meeting of the sixth session of the Board to elect Mr. CAI Liqun as the Chairman, appointed Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen as the executive Directors, and appointed Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing as the non-executive Directors and continued to appoint Mr. CAI Changzhen as the company secretary of the Company (the "Company Secretary").

On 24 June 2020, Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Remuneration Committee of the Company due to her change of employment. In addition, on 16 December 2020, Mr. YOU Xianghua resigned from the positions of independent non-executive Director, member of the Audit Committee of the Company, Chairman and member of the Remuneration Committee of the Company in order to comply with the management requirements of the unit of employment.

Accordingly, as at 31 December 2020, the sixth session of the Board comprised a total of 12 Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors, details of which are as follows:

Executive Directors	Gender	Ethnicity	Age	Date of Appointment
CAI Liqun ( <i>Chairman</i> )	Male	Han	51	28 February 2020
CHEN Zhaohui	Male	Han	51	28 February 2020
LIN Fuguang	Male	Han	56	28 February 2020
CHEN Zhen	Male	Han	46	28 February 2020

Non-executive Directors	Gender	Ethnicity	Age	Date of Appointment
CHEN Zhiping	Male	Han	54	28 February 2020
FU Chengjing	Male	Han	58	28 February 2020
HUANG Zirong	Male	Han	57	28 February 2020
BAI Xueqing	Female	Han	56	28 February 2020

Independent Non-executive Directors	Gender	Ethnicity	Age	Date of Appointment
LIU Feng	Male	Han	54	28 February 2020
LIN Pengjiu	Male	Han	54	28 February 2020
JIN Tao	Male	Han	55	28 February 2020
JI Wenyuan	Male	Han	53	28 February 2020



## Corporate Governance Report

### THE SUPERVISORY COMMITTEE

At the beginning of the Reporting Period, the fifth session of the Supervisory Committee of the Company comprised six supervisors (the “Supervisors”), including 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.

In accordance with the Articles, the term of office of each of the Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company’s first extraordinary general meeting in 2020 held on 28 February 2020, four Supervisors in office, namely Mr. DU Hongjia, Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected as the Supervisors of the sixth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. LIU Xiaolong were staff representative Supervisors who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 13 December 2019), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were the independent Supervisors. On the same date, the Company convened the first meeting of the sixth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the Supervisory Committee.

Accordingly, as at 31 December 2020, the sixth 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 73 to 87 of this annual report and published on the Company’s website at <http://www.xipc.com.cn>.

The structure, size and composition of the executive Directors, non-executive Directors and independent non-executive Directors of the Board are well balanced and appropriate. All members of the Board respectively possess professional knowledge required for performing their duties as well as extensive operation and management experience in various aspects such as terminal operation, corporate management, finance, laws, investment, financing and other relevant fields and is capable of acting in good faith, exercising due diligence and acting in the best interest of the Group and its shareholders.

During the year ended 31 December 2020, 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 at least one of the independent non-executive Directors is having appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of independent non-executive Directors appointed at all times during the Reporting Period was accounted for at least one-third of the members of the Board of the Company (which is 12 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 independence.

### RESPONSIBILITY OF THE BOARD

The Board is responsible for the leadership and supervision of the Group and jointly promoting the success of the Group through directing and supervising the Group's business. The Board is also responsible for formulating the Company's corporate governance policy and discharging the corporate governance responsibilities and is required to ensure proper compliance with applicable laws and regulations, to conduct 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 the regulatory authorities in accordance with the statutory requirements.

The Board is accountable to shareholders and owes fiduciary and statutory obligations towards the Company and the Group. Under the leadership of the Chairman of the Company and pursuant to the requirements of the Articles, the Board collectively 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;



## Corporate Governance Report

- 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.

On 19 January 2020, Mr. XU Xubo resigned from the position of the Deputy General Manager of the Company due to his personal reasons. On 28 February 2020, it was resolved that Mr. CHEN Zhaohui was re-appointed as the General Manager of the Company at the first meeting of the sixth session of the Board of the Company, Mr. CHEN Zhen was re-appointed as the Deputy General Manager and the Chief Financial Officer of the Company, and Mr. CAI Changzhen was re-appointed as the Company Secretary of the Company. On 27 March 2020, it was resolved that Mr. WU Yansong was appointed as the Deputy General Manager of the Company at the second meeting of the sixth session of the Board of the Company. Accordingly, as at 31 December 2020, the senior management of the Company included Mr. CHEN Zhaohui (General Manager), Mr. CHEN Zhen (Deputy General Manager and chief financial officer), Mr. WU Yansong (Deputy General Manager) and Mr. CAI Changzhen (Company Secretary).

To ensure that the Board can operate independently, accountably and dedicatedly, 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 and 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 2020, 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 four 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



## Corporate Governance Report

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 2020, all Directors proactively attended each of the Board meetings and professional committee meetings. The Board holds the view 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 14 days prior to the meetings during the year of 2020. 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



## Corporate Governance Report

in the meeting agenda. The final agenda and the documents for the Board meeting are distributed to the Directors at least three days before a 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 such meeting is held and is also allowed to attend by teleconference or authorize other Directors to vote on his or her behalf.

Any Board meeting shall only be validly held if attended by more than half of the Directors. Directors may attend any 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 any Board meeting, such Director shall abstain from voting on such resolution.

During the year of 2020, the fifth session of the Board has held two meetings. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun	2/0	100%
CHEN Zhaohui	2/0	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	2/0	100%
MIAO Luping	2/0	100%
FU Chengjing	2/0	100%
HUANG Zirong	2/0	100%
BAI Xueqing	2/0	100%
<i>Independent non-executive Directors</i>		
LIU Feng	2/0	100%
LIN Pengjiu	2/0	100%
YOU Xianghua	2/0	100%
JIN Tao	2/0	100%
JI Wenyuan	2/0	100%



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The sixth session of the Board was elected and appointed on 28 February 2020, and held seven meetings during the year of 2020. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun	7/0	100%
CHEN Zhaohui	7/0	100%
LIN Fuguang	6/1 <sup>a</sup>	100%
CHEN Zhen	7/0	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	7/0	100%
FU Chengjing	7/0	100%
HUANG Zirong	6/1 <sup>b</sup>	100%
MIAO Luping	3/1 <sup>c</sup>	100%
BAI Xueqing	7/0	100%
<i>Independent non-executive Directors</i>		
LIU Feng	7/0	100%
LIN Pengjiu	7/0	100%
YOU Xianghua	7/0	100%
JIN Tao	7/0	100%
JI Wenyuan	7/0	100%

Notes:

- a Mr. LIN Fuguang was present in person in six of the seven 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. HUANG Zirong was present in person in six of the seven 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;
- c Ms. MIAO Luping resigned as a non-executive Directors of the Company on 24 June 2020. Accordingly, among the Board meetings held by the sixth session of the Board in 2020, she had only attended the four Board meetings held before her resignation, and was present in person in three of the four 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.

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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.



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

Names of Directors	Training Contents
<i>Executive Directors</i>	
CAI Liqun	A, B, C
CHEN Zhaohui	A, B, C
LIN Fuguang (appointed on 28 February 2020)	A, B, C
CHEN Zhen (appointed on 28 February 2020)	A, B, C
<i>Non-executive Directors</i>	
CHEN Zhiping	A, B, C
MIAO Luping (resigned on 24 June 2020)	A, B, C
FU Chengjing	A, B, C
HUANG Zirong	A, B, C
BAI Xueqing	A, B, C
<i>Independent non-executive Directors</i>	
LIU Feng	A, B, C
LIN Pengjiu	A, B, C
YOU Xianghua (resigned on 16 December 2020)	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 duties of the Board and to facilitate effective management, five committees were set up under the Board, 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.

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](http://www.xipc.com.cn) and the website of the Stock Exchange.

### NOMINATION COMMITTEE

At the beginning of the Reporting Period, the third session of the Nomination Committee of the Company comprised Mr. CAI Liqun, the Chairman and an executive Director, and Mr. LIN Pengjiu and Mr. JIN Tao, two independent non-executive Directors. The Nomination Committee was chaired by Mr. CAI Liqun. On 28 February 2020, upon formation of the sixth session of the Board of the Company through re-election and appointment, Mr. CAI Liqun, the Chairman and an executive Director of the Company, and Mr. LIN Pengjiu and Mr. JIN Tao, two independent non-executive Directors were appointed as members of the fourth session of the Nomination Committee, of which, Mr. CAI Liqun was re-appointed as the Chairman of the Nomination Committee, following the approval of resolution at the first meeting of the sixth session of the Board of the Company on the same date.

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](http://www.xipc.com.cn).



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The Nomination Committee of the Company has evaluated the structure of the Board of the Company during the Reporting Period 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 two meetings, mainly for conducting the following businesses: making recommendations to the Board on the nomination of the General Manager of the Company; reviewing the structure of the Board and assessing the independence of the independent non-executive Directors.

During the Reporting Period, the member’s attendance records of the meetings of the fourth session of the Nomination Committee are as follows:

Members of the Nomination Committee	Number of the Committee Meetings Attended in	
	Person/by Proxy	Attendance Rate
CAI Liqun	2/0	100%
LIN Pengjiu	2/0	100%
JIN Tao	2/0	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 for 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

At the beginning of the Reporting Period, the fifth session of the Audit Committee of the Company comprised Mr. LIU Feng and Mr. YOU Xianghua, two independent non-executive Directors and Mr. FU Chengjing, one non-executive Director. The Audit Committee was chaired by Mr. LIU Feng. On 28 February 2020, upon formation of the sixth session of the Board of the Company through re-election and appointment, Mr. LIU Feng and Mr. YOU Xianghua, the independent non-executive Directors, and Mr. FU Chengjing, a non-executive Director, were appointed as members of the sixth session of the Audit Committee, of which, Mr. LIU Feng was appointed as the Chairman of the Audit Committee, following the approval of resolution at the first meeting of the sixth session of the Board of the Company on the same date. 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.

On 16 December 2020, Mr. YOU Xianghua resigned from the positions of an independent non-executive Director and the member of the Audit Committee of the Company in order to comply with the management requirements of the unit of employment. His resignation caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee. In order to comply with the abovementioned requirement under the Listing Rules, the Company has appointed Mr. LIN Pengjiu, an independent non-executive Director, as a member of the Audit Committee on 5 February 2021 within three months from the effective date of the resignation of Mr. YOU Xianghua. Accordingly, during the Reporting Period, except for the short period following the resignation of Mr. YOU Xianghua as a Director, the Company has been in compliance with the requirement set out under Rule 3.21 of the Listing Rules with regard to the Audit Committee.



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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; 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 three 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 2019 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 2020; 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; and discussing and approving the action plan for the internal audit of the Group in 2020.

During the Reporting Period, the members' attendance records of the meetings of the sixth 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	3/0	100%
FU Chengjing	3/0	100%
YOU Xianghua	3/0	100%

## REMUNERATION COMMITTEE

At the beginning of the Reporting Period, the fifth session of the Remuneration Committee of the Company comprised Mr. YOU Xianghua and Mr. LIU Feng, two independent non-executive Directors and Ms. MIAO Luping, one non-executive Director. The Remuneration Committee was chaired by Mr. YOU Xianghua. On 28 February 2020, upon formation of the sixth session of the Board of the Company through re-election and appointment, Mr. YOU Xianghua and Mr. LIU Feng, the independent non-executive Directors



and Ms. MIAO Luping, a non-executive Director, were appointed as members of the sixth session of the Remuneration Committee, of which, Mr. YOU Xianghua continued to be appointed as the Chairman of the Remuneration Committee, following the approval of resolution at the first meeting of the sixth session of the Board of the Company on the same date.

On 24 June 2020, Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Remuneration Committee of the Company due to her change of employment. On 16 December 2020, Mr. YOU Xianghua resigned from the positions of independent non-executive Director, Chairman and member of the Remuneration Committee of the Company in order to comply with the management requirements of the unit of employment. His resignation caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.25 of the Listing Rules that the Remuneration Committee should be chaired by an independent non-executive Director. In order to comply with the abovementioned requirement under the Listing Rules, the Company has appointed Mr. JIN Tao, an independent non-executive Director, as the Chairman and a member of the Remuneration Committee, and appointed Mr. FU Chengjing, a non-executive Director, as a member of the Remuneration Committee on 5 February 2021 within three months from the effective date of the resignation of Mr. YOU Xianghua. Accordingly, during the Reporting Period, except for the short period following the resignation of Mr. YOU Xianghua as a Director, the Company has been in compliance with the requirement set out under Rule 3.25 of the Listing Rules with regard to the Remuneration Committee.

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 three meetings to 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.



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During the year of 2020, the fifth session of the Remuneration Committee has held one meeting. The attendance records of each member are set out below:

<b>Members of the Remuneration Committee</b>	<b>Number of Committee Meeting Attended in Person/by Proxy</b>	<b>Attendance Rate</b>
YOU Xianghua	1/0	100%
LIU Feng	1/0	100%
MIAO Luping	1/0	100%

During the year of 2020, the sixth session of the Remuneration Committee has held two meetings. The attendance records of each member are set out below:

<b>Members of the Remuneration Committee</b>	<b>Number of Committee Meetings Attended in Person/by Proxy</b>	<b>Attendance Rate</b>
YOU Xianghua	2/0	100%
LIU Feng	2/0	100%
MIAO Luping	1/0 <sup>a</sup>	100%

Note:

- a Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Remuneration Committee of the Company on 24 June 2020. Accordingly, among the meetings held by the sixth session of the Remuneration Committee in 2020, she only attended one Remuneration Committee meeting held before her resignation.

## 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 2020 are set out in Note 28 to the financial statements.

### **BUSINESS STRATEGY COMMITTEE**

At the beginning of the Reporting Period, the fifth session of the Business Strategy Committee of the Company comprised five Directors, namely, Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liqun and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Zhiping and Ms. BAI Xueqing, the non-executive Directors. The Business Strategy Committee was chaired by Mr. JIN Tao. On 28 February 2020, upon formation of the sixth session of the Board of the Company through re-election and appointment, Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liqun and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Zhiping and Ms. BAI Xueqing, the non-executive Directors, were appointed as members of the sixth session of the Business Strategy Committee, of which, Mr. JIN Tao continued to be appointed as the Chairman of the Business Strategy Committee, following the approval of resolution at the first meeting of the sixth session of the Board of the Company on the same date.

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 one meeting to discuss and review such matters related to the Company's business operation schedule for 2020. 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.



## Corporate Governance Report

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

Members of the Business Strategy Committee	Number of Committee Meeting Attended in Person/by Proxy	Attendance Rate
JIN Tao	1/0	100%
CAI Liquan	1/0	100%
CHEN Zhiping	1/0	100%
BAI Xueqing	1/0	100%
CHEN Zhaohui	1/0	100%

### CORPORATE GOVERNANCE COMMITTEE

At the beginning of the Reporting Period, the second session of the Corporate Governance Committee of the Company comprised two independent non-executive Directors, Mr. LIN Pengjiu and Mr. JI Wenyuan. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu. On 28 February 2020, upon the formation of the sixth session of the Board of the Company through re-election and appointment, Mr. LIN Pengjiu and Mr. JI Wenyuan, the independent non-executive Directors, Mr. CHEN Zhen, an executive Director, were appointed as members of the third session of the Corporate Governance Committee, of which, Mr. LIN Pengjiu continued to be appointed as the Chairman of the Corporate Governance Committee, following the approval of resolution at the first meeting of the sixth session of the Board of the Company on the same date.

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 two meetings, mainly for conducting the following businesses: discussing and reviewing the corporate governance report for the year ended 31 December 2019 of the Company, which sets out the Company's policies and practices on corporate governance and includes mandatory disclosure requirements and most of the recommended disclosures under the Appendix 14 to the Listing Rules, reviewing the environmental, social and governance report of the Group for the year ended 31 December 2019.

## Corporate Governance Report

During the Reporting Period, the members' attendance records of the meetings of the third 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	2/0	100%
JI Wenyuan	2/0	100%
CHEN Zhen	2/0	100%

### COMPANY SECRETARY

As at 31 December 2020, Mr. CAI Changzhen was the Company Secretary of the Company, who was also acted as the primary contact person at the Company. During the Reporting Period, Mr. CAI Changzhen has received not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

### 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 2019 annual general meeting held on 12 June 2020, for a term until the expiration of the forthcoming annual general meeting.

During the Reporting Period, 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 Group also paid RMB75,000 to PricewaterhouseCoopers Zhong Tian LLP for the auditor's fee in respect of the agreed procedures performed on the return on equity computation of a subsidiary of the Group. Except for the above, the Group did not pay any other fees for non-audit services to the external auditors.



## Corporate Governance Report

### INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of internal control environment has been and remains as 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 2020, 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 2019 was conducted in March 2020, and the effectiveness review for the first half year of 2020 was conducted in August 2020, 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 as well as every financial management system of 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 "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 "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)", the "Administrative Measures for the Prevention and Control of Bond Issuance Risks",

“Fund-sharing Services Management Practices” and the “Method for Refinancing Securities Lending Business Management”, revised or newly issued and implemented certain financial management systems, such as the “Financial Management System”, the “Comprehensive Budget Management System”, the “Detailed Implementation Rules for Comprehensive Budget Management” 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 2020, 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 2019, 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 2020.

The Company attaches great importance on the internal audit functions, revised or newly issued and implemented the “Internal Audit System” and the “Economic Responsibility Audit Implementation Measures” during the Reporting Period. 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



## Corporate Governance Report

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 enable 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 2020 Internal Audit Plan considered and agreed by the Audit Committee, the Company conducted special audits on items such as the operation management or asset 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 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 intelligent transformation of the container terminals and the automation of yards, and promoted the electronization of the equipment interchange receipt of containers and the paperless lading bills throughout the whole process, 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. During the Reporting Period, The Company strictly implemented the 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 Response Plan”, etc., to promote informatization construction with standards.

The Group attaches great importance to the safety production in the ports, revised or newly issued and implemented the “Safety Production Management System”, the “Fire Safety Management System” and the “Social Security Comprehensive Governance Management System” during the Reporting Period. 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. Accordingly, 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. During the Reporting Period, the Company newly issued and implemented the “Emergency Response Plan Management Measures for Unexpected Events”, strictly enforced 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 emergencies and the damage caused.

### **(3) Compliance Control**

Subject to the applicable laws and regulations of “Company Law of the PRC”, “Civil Code 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 “Measures for the Administration of Contracts” of the Company. 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,



## Corporate Governance Report

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 to 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 disclosed one-off connected transactions in relation to equity transfer, equity acquisition, etc. in accordance with procedures in a timely manner based on the business development.

In addition, pursuant to the Rule 3.10A of the Listing Rules and relevant provisions of the Articles, during the Reporting Period, the Company has appointed no less than four 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 "Interim Provisions of Asset Supervision and Management", the "Information System Security Management Method (Trial)", the "Measures for Appraising the Operation Results of Members of the Group", the "Internal Audit System", the "Economic Responsibility Audit Implementation Measures", the "Accountability Measures for Illegal Operation and Investment Responsibility (Trial)", the "Measures for the Administration of Internal Control", the "Implementing Rules on Internal Control Assessment" 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". During the Reporting Period, the Group amended or newly issued and implemented the "Strategic Planning Management System", the "Investment Management System", the "Asset Tenancy Management Measures", the "Equipment Management System", the "Facility Management System", "Project Construction Management Measures", the "Energy Management System", the "Equipment Bidding and Purchase Management Measures" and the "Management Measures for the Performance Appraisal and Remuneration of Operation and Management Members". Besides, the Group established the legal affairs reporting system of the Group and strengthened the monitoring of major contracts, connected transactions and other legal affairs by 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, management and disposal of assets, major agreements, information system security, equipment procurement, off-line



## Corporate Governance Report

new share subscription, material procurement, equipment bidding and purchase, 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 2020, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgments 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 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 responsibility report on the financial statements is set out on page 113 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.

In accordance with the requirements of the Listing Rules and the Articles, the Company has reviewed and approved the "Rules of Procedures for Shareholders' Meeting" at the first extraordinary general meeting in 2020 held on 28 February 2020, to further clarify and improve the functions and powers of the shareholders' meeting, the convening of the shareholders' meeting and the discussion and voting procedures, etc.

The Company considers that the annual general meeting and extraordinary general meeting are appropriate forums at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting 20 clear business days before the convocation of an annual general meeting, or 10 clear business days or 15 days (whichever is longer) before the convocation of an extraordinary general meeting, and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the code provisions 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.



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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 2020, the Company had convened six general meetings in total, namely the first extraordinary general meeting in 2020 on 28 February 2020, the second extraordinary general meeting in 2020 on 16 September 2020, the third extraordinary general meeting in 2020 on 10 December 2020, and the first domestic shareholders' class meeting in 2020 on 10 March 2020, the first H shareholders' class meeting in 2020 on 10 March 2020, as well as the 2019 annual general meeting on 12 June 2020.

The attendance records of each Director of the fifth session of the Board of the Company at the general meetings in 2020 are set out below:

Members of the Board	Number of the General Meetings Attended	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun ( <i>Chairman of the Nomination Committee</i> )	1	100%
CHEN Zhaohui	1	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	1	100%
MIAO Luping	0 <sup>a</sup>	0%
FU Chengjing	1	100%
HUANG Zirong	1	100%
BAI Xueqing	1	100%
<i>Independent Non-executive Directors</i>		
LIU Feng ( <i>Chairman of the Audit Committee</i> )	1	100%
LIN Pengjiu ( <i>Chairman of the Corporate Governance Committee</i> )	1	100%
YOU Xianghua ( <i>Chairman of the Remuneration Committee</i> )	1	100%
JIN Tao ( <i>Chairman of the Business Strategy Committee</i> )	1	100%
JI Wenyuan	1	100%

Note:

a Ms. MIAO Luping was not present at the first extraordinary general meeting in 2020 due to her business trip away from Xiamen.

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The attendance records of each Director of the sixth session of the Board of the Company at the general meetings in 2020 are set out below:

Members of the Board	Number of the General Meetings Attended	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun ( <i>Chairman of the Nomination Committee</i> )	5	100%
CHEN Zhaohui	5	100%
LIN Fuguang	5	100%
CHEN Zhen	5	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	4 <sup>a</sup>	80%
MIAO Luping	1 <sup>b</sup>	33%
FU Chengjing	5	100%
HUANG Zirong	3 <sup>c</sup>	60%
BAI Xueqing	5	100%
<i>Independent Non-executive Directors</i>		
LIU Feng ( <i>Chairman of the Audit Committee</i> )	5	100%
LIN Pengjiu ( <i>Chairman of the Corporate Governance Committee</i> )	5	100%
YOU Xianghua ( <i>Chairman of the Remuneration Committee</i> )	5	100%
JIN Tao ( <i>Chairman of the Business Strategy Committee</i> )	5	100%
JI Wenyuan	5	100%

Notes:

- a Mr. CHEN Zhiping was not present at the 2019 annual general meeting due to his business trip away from Xiamen;
- b Ms. MIAO Luping was not present at the first domestic shareholders' class meeting in 2020 and the first H shareholders' class meeting in 2020 held respectively on 10 March 2020 due to her business trip away from Xiamen. On 24 June 2020, Ms. MIAO Luping resigned as a non-executive Director of the Company, accordingly, she did not attend the other two general meetings held after her resignation;
- c Mr. HUANG Zirong was not present at the 2019 annual general meeting and the second extraordinary general meeting in 2020 during his business trips 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



## Corporate Governance Report

(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 89 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". 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](http://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 also newly promulgated and implemented the "Environmental Protection Management System (Trial)" during the Reporting Period, 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 newly promulgated and implemented the "Energy Management System" during the Reporting Period, actively promoted the enhancement of the use efficiency of resources, reduced 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 2020, the Group saved energy of 69 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 2019 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,



## Corporate Governance Report

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 2020 will be separately disclosed by the end of first half of 2021 pursuant to the Listing Rules.

### AMENDMENTS TO THE ARTICLES

For the purpose of further improving the corporate governance system of the Company, after taking into consideration its actual circumstances in accordance with the requirements under the relevant laws, regulations and normative documents including the Reply of the State Council on the Adjustments of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad (Guo Han [2019] No. 97), the Company has approved necessary amendments to the relevant provisions of the Articles by way of a special resolution at the first extraordinary general meeting in 2020 held on 28 February 2020, the first domestic shareholders' class meeting in 2020 and the first H shareholders' class meeting in 2020 held on 10 March 2020, respectively. For details, please refer to the announcements of the Company dated 22 January 2020 and 23 January 2020, respectively, and the circular of the Company dated 22 January 2020.

The Company has completed all registration and filing procedures regarding the aforesaid amendments to the Articles in accordance with the applicable laws and regulations of PRC and Hong Kong and the relevant requirements of the Listing Rules.

While upholding the principles of transparency, integrity, fairness and openness, the Company will continue to keep smooth communication channels with investors or all related parties, 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.

By order of the Board

**CAI Liqun**

*Chairman*

Xiamen, the PRC

26 March 2021

# Biographies of Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. CAI Liqun**, aged 52, 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 was a director of Xiamen Port Development from May 2009 to 8 January 2021. 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 was a deputy general manager of Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") from September 2015 to December 2020. 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 been a director and the general manager of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He has been a deputy party secretary, a director, the general manager and the legal representative of Xiamen Port Holding since December 2020.

**Mr. CHEN Zhaohui**, aged 52, 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



## Biographies of Directors, Supervisors and Senior Management

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. since December 2013, during this period he also acted as the chairman of Xiamen Container Terminal Group Co., Ltd. from December 2016 to July 2020. He has been 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 been a director of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He has been a deputy general manager of Xiamen Port Holding since June 2020.

**Mr. LIN Fuguang**, aged 57, 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

## Biographies of Directors, Supervisors and Senior Management

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. He has also been the chairman of the Federation of Trade Unions of the Company of Xiamen Port Holding Group since 14 July 2020. He has also been a director of Xiamen Port Development since 8 January 2021.

**Mr. CHEN Zhen**, aged 47, 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 a supervisor of Xiamen Port Development since 10 February 2020. He has been an executive Director of the Company since 28 February 2020. He has also been a director of Xiamen Port Financial Holding Co. Ltd. since 23 November 2020.



## Biographies of Directors, Supervisors and Senior Management

### Non-executive Directors

**Mr. CHEN Zhiping**, aged 55, 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 was also the chairman of Xiamen Free Trade Test Zone Electronic Port Co., Ltd. from May 2018 to March 2021. He has also been the chairman of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He has also been a deputy party secretary, a vice chairman and the general manager of Fujian Province Port Group Limited Liability Company since December 2020.

**Mr. FU Chengjing**, aged 59, 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 58, 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

## Biographies of Directors, Supervisors and Senior Management

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 57, 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 been a director of Shia Ning Shipping Co., Ltd. since December 2018. She has also been a director of Xiamen Port Development since 8 January 2021.

**Ms. MIAO Luping**, aged 57, resigned from the position of non-executive Director of the Company since 24 June 2020. 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



## Biographies of Directors, Supervisors and Senior Management

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 Xiamen Straits 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 was a deputy party secretary and the general manager of Xiamen Port Holding from January 2018 to June 2020. She was also a non-executive Director of the Company from 15 June 2018 to 24 June 2020. She was also a director of Fujian Silk Road Shipping Operation Co., Ltd. from 19 December 2018 to 30 June 2020.

### Independent Non-executive Directors

**Mr. LIU Feng**, aged 55, 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 acted as an independent director of Bank of Hangzhou Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) from September 2013 to May 2020. 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



## Biographies of Directors, Supervisors and Senior Management

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. He has acted as an independent director of Xiamen ITG Group Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) since May 2020. He has acted as an independent director of Luckin Coffee Inc. (a company listed on the Nasdaq Stock Exchange in the United States) since July 2020. 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 55, 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. JIN Tao**, aged 56, 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,



## Biographies of Directors, Supervisors and Senior Management

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. From March 2014 to November 2020, 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 nonexecutive Director of the Company since 26 February 2016.

**Mr. Ji Wenyuan**, aged 54, 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. YOU Xianghua**, aged 56, resigned from the position of independent non-executive Director of the Company since 16 December 2020. 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 Stateowned 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 acted as an independent non-executive Director of the Company from 26 February 2016 to 16 December 2020.



## Biographies of Directors, Supervisors and Senior Management

### SUPERVISORS

**Mr. DU Hongjia**, aged 50, 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 the deputy chairman of the supervisory committee of Xiamen Port Holding since December 2018. He has been a supervisor and the Chairman of the Supervisor Committee of the Company since 23 August 2019.

**Mr. ZHANG Guixian**, aged 54, 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,

## Biographies of Directors, Supervisors and Senior Management

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 was also a director of Xiamen Port Development from November 2018 to 8 January 2021.

**Mr. LIAO Guosheng**, aged 58, 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 was the party secretary and a deputy general manager of Xiamen Container Terminal Group Co., Ltd. from 13 December 2013 to 20 January 2021, and during this period, he assumed the responsibilities of the general manager from 7 February 2020 to 24 March 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 during this period he also acted as the chairman of the above-mentioned three companies from 7 February 2020 to 4 June 2020. He has also been a director and the chairman of Xiamen Port Haicang Container Inspection Service Co., Ltd. since 13 December 2013. He has been a staff representative Supervisor of the Company since 28 February 2014. He was the secretary of the Commission for Discipline Inspection of the Company from 20 April 2016 to 2 March 2021. He was also a director of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. from 9 March 2017 to 9 June 2020, and during this period he also acted as the chairman from 7 February 2020 to 9 June 2020. He has also been the chairman of the supervisory committee of Xiamen Port Development since 10 April 2017. He was also an executive director of Xiamen Hairun Container Terminal Co., Ltd. from 7 February 2020 to 12 June 2020. He has also been a director of Trend Wood Investments Limited since 7 February 2020. He has been a consultant of Xiamen Container Terminal Group Co., Ltd. since 2 March 2021.



## Biographies of Directors, Supervisors and Senior Management

**Mr. LIU Xiaolong**, aged 50, 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 55, 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 also acted as an independent director of Tsann Kuen (China) Enterprise Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2014 to April 2021. 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. XIAO Zuoping**, aged 46, 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.

### COMPANY SECRETARY

**Mr. CAI Changzhen**, aged 49, 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



## Biographies of Directors, Supervisors and Senior Management

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.

### 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 50, 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



## Biographies of Directors, Supervisors and Senior Management

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. He was also a director and the chairman of Chaozhou Port Development Co., Ltd. from November 2015 to June 2020. 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. from October 2016 to June 2020. He has also been a director of Xiamen Container Terminals Group Co., Ltd. since December 2016 and also been the chairman since July 2020. 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 was also the chairman of China Ocean Shipping Agency Xiamen Co., Ltd. from November 2018 to March 2020. He was also a director of Zhangzhou Gulei Port Development Co., Ltd. from August 2019 to June 2020. He has been a deputy party secretary of Xiamen Container Terminal Group Co., Ltd. since March 2020. He was the general manager of Xiamen Container Terminal Group Co., Ltd. from March 2020 to February 2021. He has been a deputy general manager of the Company since March 2020. He has also been a director of Fujian Electronic Port Co., Ltd. since April 2020. He has also been a director and the chairman of Xiamen Songyu Container Terminal Co., Ltd., Xiamen International Container Terminal Co., Ltd., Xiamen Haicang International Container Terminal Co., Ltd. and Xiamen Haicang Xinhaida Container Terminal Co., Ltd. since June 2020. He has also been a director of Fujian Silk Road Shipping Operation Co., Ltd. since June 2020.



# Report of the Directors

The Board is pleased to present the report of the Directors and the audited consolidated 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) port comprehensive logistics 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 consolidated financial statements.

Details of the Group’s operating results for the Year by business segments are set out in Note 26 to the consolidated 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 2020.

## 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 39 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 2020 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 40 to 72 and this Report of the Directors on pages 88 to 105 respectively.

## RESULTS

The Group’s results for the Year are set out in the consolidated income statement on page 118.

### FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of RMB2.8 cents per share (tax inclusive), aggregating RMB76,333,600 (tax inclusive) to all shareholders whose names appear on the Register of Members on 23 June 2021, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 11 June 2021.

### RESERVES

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

### DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB2,571,600 in aggregate.

### SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2020:

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



## Report of the Directors

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 2020, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB221,890,000. Such amount was prepared under 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 5 August 2020, XPD (a non-wholly owned subsidiary of the Company) has entered into a capital increase agreement with XPH, pursuant to which XPD and XPH have agreed to contribute additional capital by the injection of (i) the entire equity interest in Xiamen Hailong (a non-wholly owned indirect subsidiary of the Company) of approximately RMB1,208,737,100 by XPD; and (ii) the entire equity interest in Xiamen Haihong (a wholly-owned subsidiary of XPH) of approximately RMB317,536,100 by XPH into Shihushan

## Report of the Directors

Terminal (a non-wholly owned indirect subsidiary of the Company, the equity interest of which is owned by XPD as to 51% and XPH as to 49%), respectively. The industrial and commercial changing registration procedures of the above capital increase have not been fully completed yet. Upon Completion, (i) the equity interest of Shihushan Terminal will be owned by XPD as to 65.08% and XPH as to 34.92%; (ii) Xiamen Hailong will become a direct wholly-owned subsidiary of Shihushan Terminal and continue to be an indirect subsidiary of the Company with its effective equity interest to be held by XPD as to 65.08% and XPH as to 34.92%; and (iii) Xiamen Haihong will become a direct wholly-owned subsidiary of Shihushan Terminal and an indirect subsidiary of the Company with its effective equity interest to be held by XPD as to 65.08% and XPH as to 34.92%. For details of the above transaction, please refer to the announcements of the Company dated 5 August 2020 and 16 September 2020, respectively, and the circular of the Company dated 31 August 2020.

On 28 October 2020, XPD has entered into an equity transfer agreement with Xiamen Sunstone, pursuant to which XPD has transferred its entire equity interest in XRBM (a non-wholly owned subsidiary of the Company) to Xiamen Sunstone at a consideration of RMB129,580,000, and the industrial and commercial changing registration procedures were completed on 24 December 2020. On the same date of the entering into of the equity transfer agreement, XPD also entered into a subscription agreement with Xiamen Sunstone and XRBG, pursuant to which XPD has subscribed for the 8,854,000 new shares in Xiamen Sunstone to be issued and allotted to it at the consideration of RMB129,507,458. Following the subscription completion, the equity interest of Xiamen Sunstone is owned by XPD as to 8.10%, and the industrial and commercial changing registration procedures of the above shares subscription were completed on 3 February 2021. For details of the above transaction, please refer to the announcements of the Company dated 28 October 2020, 10 December 2020 and 4 February 2021, respectively, and the circular of the Company dated 24 November 2020.

On 28 October 2020, the Company has entered into an equity transfer agreement with Xiamen Port Construction (a wholly-owned subsidiary of XPH), pursuant to which the Company has acquired the entire equity interest in Haishun Terminal held by Xiamen Port Construction at the consideration of RMB14,185,700. The industrial and commercial changing registration procedures of the above equity transfer were completed on 9 November 2020. For details of the above transaction, please refer to the announcement of the Company dated 28 October 2020.

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.



## Report of the Directors

### DIRECTORS AND SUPERVISORS

During the Year, the fifth session of the Board comprised twelve Directors, including two executive Directors, namely Mr. CAI Liqun 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. The fifth session of the Supervisory Committee of the Company comprised six supervisors (“Supervisors”), including 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.

In accordance with the Articles, the term of office of each of the Directors and Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. At the Company’s first extraordinary general meeting in 2020 held on 28 February 2020, the twelve Directors in office, namely Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong, Ms. BAI Xueqing, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were re-elected and Mr. LIN Fuguang and Mr. CHEN Zhen were elected as Directors of the sixth session of the Board, of which, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were independent non-executive Directors. At the same extraordinary general meeting, four Supervisors in office, namely Mr. DU Hongjia, Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping were re-elected as Supervisors of the sixth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. LIU Xiaolong were staff representative Supervisors who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 13 December 2019), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors.

On 28 February 2020, the Company convened the first meeting of the sixth session of the Board to elect Mr. CAI Liqun as the Chairman, appointed Mr. CAI Liqun, Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen as executive Directors, and appointed Mr. CHEN Zhiping, Ms. MIAO Luping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing as non-executive Directors and continued to appoint Mr. CAI Changzhen as the secretary to the Board/the Company Secretary. On the same date, the Company convened the first meeting of the sixth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the Supervisory Committee.

## Report of the Directors

On 24 June 2020, Ms. MIAO Luping resigned from the positions of non-executive Director of the Company and member of the Remuneration Committee of the Company due to her change of employment. On 16 December 2020, Mr. You Xianghua resigned from the positions of independent non-executive Director, member of the Audit Committee of the Company and Chairman and member of the Remuneration Committee of the Company in order to comply with the management requirements of the unit of employment. In order to comply with the requirements under Rules 3.21 and 3.25 of the Listing Rules, the Company has appointed Mr. LIN Pengjiu, an independent non-executive Director, as a member of the Audit Committee, and also appointed Mr. JIN Tao, an independent non-executive Director, as the Chairman and a member of the Remuneration Committee, appointed Mr. FU Chengjing, a non-executive Director, as a member of the Remuneration Committee on 5 February 2021. For details, please refer to the announcements of the Company dated 16 December 2020 and 5 February 2021, respectively.

Accordingly, as at 31 December 2020, members of the sixth session of the Board comprised four executive Directors, namely Mr. CAI Liqun (Chairman), Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen, four non-executive Directors, namely Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and four independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. JIN Tao and Mr. JI Wenyuan. Members of the sixth session of the Supervisory Committee of the Company included two Shareholders representative Supervisors, namely Mr. DU Hongjia (being the Chairman of 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, the term of office of the Directors and Supervisors shall be three years, subject to re-election upon expiry of their terms. Besides, 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 sixth 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.



## Report of the Directors

### **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 consolidated financial statements.

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year ranges from approximately RMB708,000 to RMB1,164,200 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 73 to 87.

### **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 2020, 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 2020, 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)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Xiamen Haixia Investment Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Shia Ning Shipping Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Beneficial owner	14.32%	5.18%

Note: The 141,264,000 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.



## Report of the Directors

Save as disclosed above, as at 31 December 2020, 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 2020.

### 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 2020, the Group had a total of 7,082 employees. For details of employees' remuneration, please refer to the Management Discussion and Analysis on page 29 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 18.8% of the Group's total sales, of which, the sales from the largest customer accounted for approximately 6.2% of the total sales of the Group.

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 customers during the Year.

### 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 19.2% of the Group's total purchases, of which, the purchase from the largest supplier accounted for approximately 6.2% of the total purchases of the Group.



## Report of the Directors

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 2020, the Company and/or its related subsidiaries entered into the following one-off connected transactions with certain connected parties:

On 5 August 2020, XPD has entered into a capital increase agreement with XPH, pursuant to which additional capital has been contributed by the injection of (i) the entire equity interest in Xiamen Hailong of approximately RMB1,208,737,100 by XPD; and (ii) the entire equity interest in Xiamen Haihong of approximately RMB317,536,100 by XPH into Shihushan Terminal, respectively. The industrial and commercial changing registration procedures of the above capital increase have not been fully completed yet. Details of the above transaction are set out in the aforementioned section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

On 28 October 2020, XPD has entered into a subscription agreement with Xiamen Sunstone and XRBG, pursuant to which XPD has subscribed for the 8,854,000 new shares in Xiamen Sunstone issued and allotted to it at the consideration of RMB129,507,458. The industrial and commercial changing registration procedures of the above shares subscription agreement were completed on 3 February 2021. Details of the above transaction are set out in the aforementioned section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

On 28 October 2020, the Company has entered into an equity transfer agreement with Xiamen Port Construction, pursuant to which the Company has acquired the entire equity interest in Haishun Terminal held by Xiamen Port Construction at the consideration of RMB14,185,700. The industrial and commercial changing registration procedures of the above equity transfer were completed on 9 November 2020. Details of the above transaction are set out in the aforementioned section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

## Report of the Directors

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

Transaction particulars	Connected person	Date of signing the agreement	Amount (RMB)
A. XPD and XPH jointly contributed additional capital into Shihushan Terminal	XPD contributed additional capital into Shihushan Terminal by the injection of the entire equity interest in Xiamen Hailong	5 August 2020	1,208,737,100
	XPH contributed additional capital into Shihushan Terminal by the injection of the entire equity interest in Xiamen Haihong		317,536,100
B. XPD subscribed for the 8,854,000 new shares in Xiamen Sunstone issued and allotted to it	Xiamen Port Development and Construction Co., Ltd (廈門港口開發建設有限公司)	28 October 2020	129,507,458
C. The Company acquired the entire equity interest in Xiamen Haishun held by Xiamen Port Construction	Xiamen Port Construction	28 October 2020	14,185,700

In addition, in 2020, due to its daily business operation and development 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

## Report of the Directors

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	2020	
		annual cap (RMB)	Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group	115,000,000 (Being rent payable by the Group)	87,554,000
		6,000,000 (Being rent receivable by the Group)	118,000
B. Logistics property services	Xiamen Port Holding Group	23,000,000	15,904,000
C. Construction project management	Xiamen Port Holding Group	15,000,000	2,490,000
D. Port facilities engineering and construction	Xiamen Port Holding Group	165,000,000	48,749,000
E. Port-related labour services	Xiamen Port Holding Group	141,600,000	121,033,000
F. Electrical equipment maintenance	Xiamen Port Holding Group	19,000,000	4,436,000
G. Port services	COSCO Shipping Container Lines Co., Ltd. <sup>①</sup>	192,700,000	161,015,000
H. Power supply and maintenance	Xiamen Port Holding Group	35,000,000	13,315,000
I. Port services	Xiamen Port Holding Group	58,000,000	43,034,000
J. Information services	Xiamen Port Holding Group	33,000,000	21,378,000
K. Port services	Maersk (China) Shipping Co., Ltd. <sup>②</sup>	360,000,000	250,670,000
L. Purchase of oil products	Xiamen Port Holding Group	79,000,000	41,983,000
M. Concrete sale and purchase	Xiamen Port Holding Group	28,000,000	2,603,000
N. Mutual trade	Xiamen Xiangyu Logistics Group Co., Ltd. <sup>③</sup>	195,000,000 (Being fee receivable by the Group)	58,859,000
		390,000,000 (Being fee payable by the Group)	26,252,000
O. Mutual trade	Xiamen ITG Holding Group Co., Ltd. <sup>④</sup>	195,000,000 (Being fee receivable by the Group)	24,657,000
		390,000,000 (Being fee payable by the Group)	309,418,000
P. Port transportation service	Xiamen Port Holding Group	28,000,000	16,996,000
Q. Mutual trade	Xiamen Haitou Supply Chain Operation Co., Ltd. <sup>⑤</sup>	100,000,000 (Being fee receivable by the Group)	95,627,000
		100,000,000 (Being fee payable by the Group)	0

## Report of the Directors

- ① COSCO Shipping Container Lines Co., Ltd. is an associate of China Ocean Shipping Agency Co., Ltd. which is a substantial shareholder of Ocean Shipping Agency (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company.
- ② Maersk (China) Shipping Co., Ltd. is an associate of APM TERMINALS XIAMEN COMPANY LIMITED which is a substantial shareholder of Xiamen Songyu Container Terminal Co., Ltd. (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company.
- ③ Xiamen Xiangyu Logistics Group Co., Ltd. is a substantial shareholder of Xiamen Terminal Group (a direct subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company. The annual cap for the connected transaction of mutual trade between the Group and Xiamen Xiangyu Logistics Group Co., Ltd. has been raised from RMB150,000,000 to RMB195,000,000 (being fee receivable by the Group) during the year of 2020, and the amount has been raised from RMB150,000,000 to RMB390,000,000 (being fee payable by the Group) during the year of 2020.
- ④ Xiamen ITG Holding Group Co., Ltd. is an associate of Xiamen ITG Group Corp., Ltd. which is a substantial shareholder of Xiamen Terminal Group (a direct subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company. The annual cap for the connected transaction of mutual trade between the Group and Xiamen ITG Holding Group Co., Ltd. has been raised from RMB150,000,000 to RMB195,000,000 (being fee receivable by the Group) during the year of 2020, and the amount has been raised from RMB150,000,000 to RMB390,000,000 (being fee payable by the Group) during the year of 2020.
- ⑤ Xiamen Haitou Supply Chain Operation Co., Ltd. is an associate of Xiamen Haicang Investment Group Co., Ltd. which is a substantial shareholder of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company. This connected transaction is a new continuing connected transaction carried out during this year. For details, please refer to the announcement of the Company dated 29 May 2020.

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 auditors were 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 auditors have



## Report of the Directors

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 agreements related to 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 auditors' 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 RMB30,419,800, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB593,300.



The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2020, the forfeited contribution available for the use of the Group amounted to RMB2,068,796.8. 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 consolidated financial statements.

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 23 of the Notes to the consolidated financial statements.

### **ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS**

As at 31 December 2020, 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 2020 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, Songyu Terminal and XICT was 15% in 2019).

Trend Wood Investments Limited (紀成投資有限公司) ("Trend Wood"), Xiamen Ocean Shipping Agency (Hong Kong) Limited (廈門外輪代理(香港)有限公司) ("Hong Kong Ocean Shipping Agency") and Xiamen Port Haiheng (Hong Kong) Limited (廈門港務海衡(香港)有限公司) ("Haiheng (Hong Kong)"), all being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the Year.



## Report of the Directors

Except for Xiamen Container Terminal Group, Songyu Terminal, XICT, 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 2020 (2019: 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.

### AUDITORS

The consolidated financial statements in this annual report 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 auditors at the forthcoming annual general meeting.

By order of the Board

**CAI Liqun**

*Chairman*

Xiamen, the PRC

26 March 2021



# 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 2020

In the year of 2020, all members of the Supervisory Committee had been discharging their duties conscientiously and performing its work sedulously and initiatively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on the basis of integrity and diligence so as to safeguard the interests of the Company and the shareholders as a whole.

During the Reporting Period, the Supervisory Committee convened a meeting of re-election that according to the provisions of the Articles, the Supervisory Committee shall be comprised of six members. The members of the fifth session of the Supervisory Committee include Mr. DU Hongjia, the Chairman of the Supervisory Committee and a shareholder Supervisor, Mr. ZHANG Guixian, a shareholder Supervisor, Mr. LIAO Guosheng and Mr. LIU Xiaolong, the staff representative Supervisors, and Mr. TANG Jinmu and Mr. XIAO Zuoping, the independent Supervisors. At the Company's first extraordinary general meeting in 2020 held on 28 February 2020, four Supervisors in office, namely Mr. DU Hongjia, Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected as the Supervisors of the sixth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. LIU Xiaolong were staff representative Supervisors who had also been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 13 December 2019), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors. On the same date, the Company convened the first meeting of the sixth session of the Supervisory Committee to elect Mr. DU Hongjia as the Chairman of the Supervisory Committee.

In the year of 2020, the Supervisory Committee convened four 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 2019, and nominating the relevant Supervisors candidates for the sixth session of the Supervisory Committee, reviewing and approving the service agreements of the sixth session of the Supervisors of the Company, and electing Mr. DU Hongjia as the Chairman of the sixth session of the Supervisory Committee, and the above issues had all formed specific resolutions.

## Report of the Supervisory Committee

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 the Board meetings and general meetings convened in 2020, debriefing on the work report and financial situation report concerning the operations of the Company, reviewed the financial report and audit report and listening to reporting of the external auditors about their audit work on the Company. In the opinion of the Supervisory Committee, 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 2020**

#### **1. Operation of the Company in compliance with the law**

The Supervisory Committee had strictly monitored the operation and management of the Company and the performance of duties conducted by its Directors and senior management as well as the implementation of the risk management and internal control system of the Company pursuant to the provisions of the Listing Rules, applicable laws and regulations and the Articles. The Supervisory Committee was of the opinion that, during the Reporting Period, the Company's procedures of decision-making were standard and legal, the risk management and internal control system had been implemented strictly and further improved, and the Company was able to strictly execute all the applicable laws and regulations and to operate in accordance with 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 did not find any contravention of applicable laws or regulations or the Articles or acts which were detrimental to the interests of the Company and its shareholders done by the Directors and the senior management.

#### **2. Financial position of the Company**

The Supervisory Committee had carefully audited the 2020 financial report and the 2020 profit distribution proposal of the Company and the 2020 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 2020 financial report of the Company gives an



## Report of the Supervisory Committee

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 opined that the relevant profit allocation proposal was in line with the Company's current status of operation.

### 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 of the Company were reasonable, no insider dealings were discovered and there existed no circumstances which would have been detrimental to any shareholders or would have resulted in any loss of the Company's assets. During the Reporting Period, every connected transaction was concluded in the ordinary course of business of the Company, on normal or better commercial terms, and the terms of transaction were fair and reasonable and adhering to the principle of fairness, openness and impartiality. These transaction prices were negotiated and determined on the basis of fair market value. No circumstances which would have been detrimental to the interests of the Company and its shareholders as a whole were discovered.

In 2021, all members of the Supervisory Committee will continue to strictly discharge their duties pursuant to the authorities conferred by the laws, regulations and the Articles and put more effort on 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

26 March 2021

# Independent Auditor's Report



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 116 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

## Independent Auditor's Report



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### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.





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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Non-current assets (including goodwill) impairment assessments for container loading and unloading and storage business segment</b></p> <p><i>Reference is made to Notes 4.1, 6, 7 and 8 in the consolidated financial statements.</i></p> <p>As at 31 December 2020, the carrying amounts of non-current assets of the Group's container loading and unloading and storage ("CLUS") business segment includes goodwill of RMB129 million, property, plant and equipment of RMB7,114 million and right-of-use assets of RMB2,940 million.</p> <p>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.</p> <p>In view of the fact that the net asset value of CLUS business segment is higher than the Company's market capitalisation, management assessed the recoverability of the carrying amounts of non-current assets (including goodwill) for CLUS business segment. The recoverable amounts of non-current assets (including goodwill) of CGUs business segment have been determined based on value-in-use calculations.</p> <p>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.</p>	<p>We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity.</p> <p>Our procedures in relation to the impairment assessments of non-current assets (including goodwill) of CLUS business segment included:</p> <p>We evaluated and validated 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 CLUS business segment.</p> <p>We reviewed the valuation methodology used by management to determine its compliance with accounting standards.</p> <p>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.</p> <p>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.</p> <p>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.</p>

## Independent Auditor's Report



羅兵咸永道

### OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2020 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.



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## 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.

## Independent Auditor's Report



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As part of an audit in accordance with HKSAAs, 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, 26 March 2021

# Consolidated Balance Sheet

As at 31 December 2020

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	5	153,978	158,793
Property, plant and equipment	6	11,746,481	11,762,442
Intangible assets	7	188,063	187,338
Right-of-use assets	8	4,052,572	4,221,091
Interests in joint ventures	10	121,178	107,020
Interests in associates	11	169,758	36,784
Financial assets at fair value through other comprehensive income	12	61,705	53,224
Long-term receivables and prepayments	16	1,571	1,537
Deferred income tax assets	13	257,862	268,461
<b>Total non-current assets</b>		<b>16,753,168</b>	16,796,690
<b>Current assets</b>			
Inventories	14	1,529,641	1,209,735
Accounts receivables	15	1,291,799	1,087,034
Other receivables and prepayments	16	1,330,644	917,532
Financial assets at fair value through other comprehensive income	12	91,677	90,905
Financial assets at fair value through profit or loss	12	1,993,941	261,705
Term deposits with initial term over three months	17	250,000	650,187
Restricted cash	18	47,303	35,730
Cash and cash equivalents	19	707,852	1,883,432
Derivative financial instrument		540	—
<b>Total current assets</b>		<b>7,243,397</b>	6,136,260
<b>Total assets</b>		<b>23,996,565</b>	22,932,950
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	2,726,200	2,726,200
Reserves	25	3,105,611	2,921,184
<b>Non-controlling interests</b>		<b>5,831,811</b>	5,647,384
<b>Total equity</b>		<b>6,766,004</b>	6,726,742
<b>Total equity</b>		<b>12,597,815</b>	12,374,126

## Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	878,529	3,356,160
Deferred government grants and income	22	119,077	119,852
Long-term payables and advances	21	1,704	1,744
Lease liabilities	8	51,116	181,214
Deferred income tax liabilities	13	398,698	421,692
<b>Total non-current liabilities</b>		<b>1,449,124</b>	4,080,662
<b>Current liabilities</b>			
Accounts and notes payables	20	1,932,098	1,264,205
Contract liabilities		589,095	417,418
Other payables and accruals	21	717,936	593,361
Borrowings	23	6,572,544	4,082,174
Lease liabilities	8	69,112	63,277
Provisions		9,021	9,021
Taxes payable		59,820	48,706
<b>Total current liabilities</b>		<b>9,949,626</b>	6,478,162
<b>Total liabilities</b>		<b>11,398,750</b>	10,558,824
<b>Total equity and liabilities</b>		<b>23,996,565</b>	22,932,950

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.

The financial statements on pages 116 to 236 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

**Cai Liqun**

Director

**Chen Zhaohui**

Director

# Consolidated Income Statement

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenues	26	<b>17,691,738</b>	13,933,106
Cost of sales	29	<b>(16,460,601)</b>	(12,676,185)
<b>Gross profit</b>		<b>1,231,137</b>	1,256,921
Other income	26	<b>367,770</b>	318,980
Other losses – net	27	<b>(32,590)</b>	(4,147)
Selling and marketing expenses	29	<b>(45,903)</b>	(75,657)
General and administrative expenses	29	<b>(428,139)</b>	(371,761)
Net impairment loss (provision)/reversals on financial assets		<b>(31,008)</b>	142
<b>Operating profit</b>		<b>1,061,267</b>	1,124,478
Finance income	30	<b>27,287</b>	19,384
Finance costs	30	<b>(275,443)</b>	(248,044)
		<b>813,111</b>	895,818
Share of profits less losses of joint ventures	10	<b>7,529</b>	1,708
Share of profits less losses of associates	11	<b>6,478</b>	3,392
<b>Profit before income tax</b>		<b>827,118</b>	900,918
Income tax expense	31(b)	<b>(210,539)</b>	(232,159)
<b>Profit for the year</b>		<b>616,579</b>	668,759
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>284,674</b>	279,684
Non-controlling interests		<b>331,905</b>	389,075
		<b>616,579</b>	668,759
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (in RMB cents)	33	<b>10.44</b>	10.26

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Profit for the year</b>	<b>616,579</b>	668,759
<b>Other comprehensive income, net of tax</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	<b>(8,305)</b>	3,221
<b>Total comprehensive income for the year</b>	<b>608,274</b>	671,980
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the Company	<b>276,369</b>	282,905
– Non-controlling interests	<b>331,905</b>	389,075
	<b>608,274</b>	671,980

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
<b>Balance at 1 January 2019</b>	2,726,200	(336,952)	2,974,764	5,364,012	6,604,653	11,968,665
<b>Comprehensive income</b>						
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)
<b>Total comprehensive income</b>	—	3,221	279,684	282,905	389,075	671,980
<b>Transactions with owners in their capacity as owners</b>						
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)
<b>Total transactions with owners in their capacity as owners</b>	—	77,297	(76,830)	467	(266,986)	(266,519)
<b>Balance at 31 December 2019</b>	2,726,200	(256,434)	3,177,618	5,647,384	6,726,742	12,374,126

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
<b>Balance at 1 January 2020</b>	<b>2,726,200</b>	<b>(256,434)</b>	<b>3,177,618</b>	<b>5,647,384</b>	<b>6,726,742</b>	<b>12,374,126</b>
<b>Comprehensive income</b>						
Profit for the year	—	—	284,674	284,674	331,905	616,579
Other comprehensive income						
Changes in the fair value of financial assets at fair value through other comprehensive income	—	(8,305)	—	(8,305)	—	(8,305)
— Gross	—	(11,073)	—	(11,073)	—	(11,073)
— Related deferred income tax	—	2,768	—	2,768	—	2,768
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	—	(17,722)	17,722	—	—	—
— Gross	—	(23,628)	23,628	—	—	—
— Related deferred income tax	—	5,906	(5,906)	—	—	—
<b>Total comprehensive income</b>	<b>—</b>	<b>(26,027)</b>	<b>302,396</b>	<b>276,369</b>	<b>331,905</b>	<b>608,274</b>
<b>Transactions with owners in their capacity as owners</b>						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	54,150	54,150
Disposal of ownership interest in a subsidiary	—	—	—	—	(5,247)	(5,247)
Addition of partial ownership interest in a subsidiary	—	(23,787)	—	(23,787)	17,731	(6,056)
2019 final dividends	—	—	(68,155)	(68,155)	—	(68,155)
Profit appropriation	—	24,654	(24,654)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(359,277)	(359,277)
<b>Total transactions with owners in their capacity as owners</b>	<b>—</b>	<b>867</b>	<b>(92,809)</b>	<b>(91,942)</b>	<b>(292,643)</b>	<b>(384,585)</b>
<b>Balance at 31 December 2020</b>	<b>2,726,200</b>	<b>(281,594)</b>	<b>3,387,205</b>	<b>5,831,811</b>	<b>6,766,004</b>	<b>12,597,815</b>

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	34(a)	<b>1,875,011</b>	1,886,814
Interest paid		<b>(252,079)</b>	(242,118)
Income tax paid		<b>(201,175)</b>	(291,944)
Net cash generated from operating activities		<b>1,421,757</b>	1,352,752
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment, intangible assets and land use rights		<b>(553,046)</b>	(693,247)
Proceeds from disposal of property, plant and equipment and land use rights		<b>11,146</b>	15,931
Government grants for property, plant and equipment		<b>1,394</b>	8,146
Capital injection to an associate	11	<b>(131,019)</b>	—
Capital injection to joint ventures	10	<b>(6,629)</b>	(8,029)
Proceeds from sale of a subsidiary, net of cash disposed	27(a)	<b>75,040</b>	—
Interest received		<b>25,028</b>	19,384
Dividends received		<b>6,400</b>	7,833
Cash (paid for acquisition)/received from disposal of financial assets at fair value through profit and loss		<b>(1,754,736)</b>	542,256
Payments for business combinations under non-common control		<b>(16,250)</b>	(52,000)
Proceeds from disposal of held-for-sale assets		<b>—</b>	21,772
Cash received from disposal of financial assets at fair value through other comprehensive income		<b>33,845</b>	—
Cash paid for acquisition of financial assets at fair value through other comprehensive income		<b>(60,582)</b>	—
Increase in restricted cash		<b>(15,214)</b>	(4,215)
Decrease in restricted cash		<b>3,641</b>	2,897
Increase in term deposits with initial term of over three months		<b>(300,000)</b>	(1,000,187)
Decrease in term deposits with initial term of over three months		<b>700,187</b>	360,000
Net cash used in investing activities		<b>(1,980,795)</b>	(779,459)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>9,525,854</b>	7,482,379
Repayments of borrowings		<b>(9,570,249)</b>	(6,499,711)
Contribution from non-controlling shareholders of subsidiaries		<b>54,150</b>	84,283
Cash received from transaction with a non-controlling shareholder of a subsidiary		—	35,982
Payments of principal portions of lease liabilities		<b>(168,959)</b>	(85,946)
Loan from a related party		<b>6,000</b>	32,000
Repayment of loan from a related party		<b>(6,000)</b>	(25,000)
Dividends paid to owners of the Company		<b>(68,155)</b>	(54,524)
Dividends paid to non-controlling shareholders of subsidiaries		<b>(380,365)</b>	(342,402)
Net cash (used in)/generated from financing activities		<b>(607,724)</b>	627,061
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,166,762)</b>	1,200,354
Cash and cash equivalents at beginning of year		<b>1,883,432</b>	681,633
Exchange (losses)/ gains on cash and cash equivalents		<b>(8,818)</b>	1,445
<b>Cash and cash equivalents at end of year</b>	19	<b>707,852</b>	1,883,432

The notes on pages 124 to 236 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1. General information

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

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") as being the immediate holding company of the Company, which is established in the PRC.

These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 26 March 2021.

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 2020, the Group's current liabilities exceeded current assets by RMB2,706 million. As at 31 December 2020, the available unused financing facilities of the Group amounted to RMB19,918 million. Based on the cash inflows from operating activities and the financing facilities available to the Group, the Board believes that the Group will continue to receive sufficient 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 and amendments adopted by the Group in 2020*

The following standard and amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2020:

		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 HKFRS9, HKAS 39 and HKFRS7	Regarding interest rate benchmark reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policies and disclosures* (continued)

###### (a) *New standard and amendments adopted by the Group in 2020* (continued)

The amendments 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 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	30 June 2020
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual Framework	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Improvements to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17	Insurance Contracts	1 January 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 Principles of consolidation and equity accounting

#### 2.2.1 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Inter-company 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.

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

#### 2.2.2 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 2.2.4 below), after initially being recognised at cost.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.2 Principles of consolidation and equity accounting (continued)

##### 2.2.3 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 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

##### 2.2.4 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. Summary of significant accounting policies (continued)

### 2.2 Principles of consolidation and equity accounting (continued)

#### 2.2.5 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.

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.

### 2.3 Business combinations

The acquisition method of accounting is used to account for business combinations, except for business combinations under common control, 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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.3 Business combinations (continued)

- 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.

#### 2.4 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 or are attributable to part of the net investment in a foreign operation.

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).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

#### 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.

**2. Summary of significant accounting policies** (continued)**2.8 Property, plant and equipment** (continued)

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 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

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.

##### (b) Port line use rights

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

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.



### 2. Summary of significant accounting policies (continued)

#### 2.9 Right-of-use assets (continued)

##### **(d) Other finance lease assets**

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.

#### 2.10 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or 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 Group'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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 statement of profit or loss 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 receivables 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 are 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. Deferred income tax is also 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 and tax losses can be utilised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 differences for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary differences of an associate will the corresponding deferred income tax liability 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 goods 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.27 Leases

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

Leases are recognised as a right-of-use asset 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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

### 2. Summary of significant accounting policies (continued)

#### 2.27 Leases (continued)

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

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.

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 2. Summary of significant accounting policies (continued)

#### 2.27 Leases (continued)

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

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. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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.

##### (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. Summary of significant accounting policies (continued)

#### 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.

#### 2.29 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 finished goods and merchandise 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 receivables, accounts payables and borrowings as at 31 December 2020 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR") and Hong Kong Dollars ("HKD") (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.

At 31 December 2020, 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 RMB4,253,200 higher/lower (2019: RMB2,551,285 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 RMB7,375,139 lower/higher (2019: RMB76 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 RMB47,000 lower/higher (2019: RMB53,044 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 RMB0 lower/higher (2019: RMB27,632), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### **(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 2020, approximately 73% (2019: 62%) 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.

At 31 December 2020, 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 RMB11,753,828 (2019: RMB11,534,846) 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 2020, 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 RMB5,603,430 (2019: RMB4,824,635), excluding the tax effect.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Price risk (continued)

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.

##### (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.

##### (i) Term deposits, cash and cash equivalents and restricted cash

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 receivables, 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 receivables are due within 60 days from the date of billing.

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Credit risk (continued)

###### (ii) Accounts receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 to 36 month before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and Consumer Price Index to be the most relevant factors of the Group, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, and the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Credit risk (continued)

##### (ii) Accounts receivables (continued)

The closing loss allowances for trade receivables of different categories as at 31 December 2020 are listed as follows:

#### Category 1: Merchandise Trading Business

	Within 6 months	6–12 months	1–2 years	2–3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Accounts receivables At 31 December 2020</b>						
Expected loss rate	0.8%	0.8%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	415,912	54,763	593	8	24,789	496,065
Loss allowance provision	3,327	439	59	4	24,789	28,618
Individually impaired receivables	—	—	14,740	1,673	17,393	33,806
<b>Total loss allowance provision</b>	<b>3,327</b>	<b>439</b>	<b>14,799</b>	<b>1,677</b>	<b>42,182</b>	<b>62,424</b>
<b>Accounts receivables At 31 December 2019</b>						
Expected loss rate	0.8%	0.8%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	225,214	80,670	293	317	25,489	331,983
Loss allowance provision	1,802	645	29	158	25,489	28,124
Individually impaired receivables	—	4,510	1,673	—	17,883	24,066
<b>Total loss allowance provision</b>	<b>1,802</b>	<b>5,155</b>	<b>1,703</b>	<b>158</b>	<b>43,372</b>	<b>52,190</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Credit risk (continued)

##### (ii) Accounts receivables (continued)

#### Category 2: Port Related Business

	Within 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
<b>Accounts receivables At 31 December 2020</b>						
Expected loss rate	0.5%	0.5%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	727,461	7,761	942	701	29,734	766,599
Loss allowance provision	3,626	39	94	350	29,734	33,843
Individually impaired receivables	—	—	—	—	—	—
<b>Total loss allowance provision</b>	<b>3,626</b>	<b>39</b>	<b>94</b>	<b>350</b>	<b>29,734</b>	<b>33,843</b>
<b>Accounts receivables At 31 December 2019</b>						
Expected loss rate	0.5%	0.5%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	476,027	279,947	18,151	1,534	28,250	803,910
Loss allowance provision	2,381	1,400	1,815	767	28,250	34,613
Individually impaired receivables	—	—	—	—	—	—
<b>Total loss allowance provision</b>	<b>2,381</b>	<b>1,400</b>	<b>1,815</b>	<b>767</b>	<b>28,250</b>	<b>34,613</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### **(d) Credit risk** (continued)

###### *(iii) Other receivables and prepayments*

The Group applies the IFRS 9 three-stage approach to measure ECL. Other receivables comprise: advances to suppliers, value-added tax to be deducted, deposit and others. Since the credit risk of other receivables are considered not significantly increase since initial recognition, therefore the impairment provision is determined as 12 months ECL. As at 31 December 2020, RMB47 million (2019: RMB29 million) were provided as loss allowance for other receivables.

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.

##### **(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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (e) Liquidity risk (continued)

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
<b>Group</b>				
<b>At 31 December 2020</b>				
Borrowings	6,572,544	80,191	283,045	515,293
Lease liabilities	69,112	36,213	12,137	2,766
Long-term payables and advances	42	45	156	1,461
Accounts and notes payables	1,932,098	—	—	—
Other payables and accruals	717,936	—	—	—
	<b>9,291,732</b>	<b>116,449</b>	<b>295,338</b>	<b>519,520</b>

	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
<b>Group</b>				
<b>At 31 December 2019</b>				
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 payables	1,264,205	—	—	—
Other payables and accruals	593,361	—	—	—
	<b>6,003,057</b>	<b>2,428,354</b>	<b>623,896</b>	<b>486,828</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 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.

During 2020, the Group's strategy, which was approximately unchanged from 2019, was to maintain a high gearing ratio. The gearing ratios at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total borrowings (Note 23)	<b>7,451,073</b>	7,438,334
Less: cash and cash equivalents (Note 19)	<b>(707,852)</b>	(1,883,432)
Net debt	<b>6,743,221</b>	5,554,902
Total equity	<b>12,597,815</b>	12,374,126
Total capital	<b>19,341,036</b>	17,929,028
Gearing ratio (%)	<b>34.86%</b>	30.98%

The increase in the gearing ratio during 2020 resulted primarily from the decrease in cash and cash equivalents (Note 19) during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 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).

The following table presents the Group's assets that are measured at fair value at 31 December 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at fair value through other comprehensive income	56,034	—	97,348	153,382
Financial assets at fair value through profit or loss	—	1,400,000	593,941	1,993,941

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
<b>Assets</b>				
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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (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).

##### (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.

### 3. Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (c) *Financial instruments in level 3*

As at 31 December 2020, 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 (including intangible assets and property, plant and equipment) 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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 4. Critical accounting estimates and assumptions (continued)

#### 4.1 Impairments of non-current assets (continued)

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 non-current assets impairment assessment are set out in Note 7.

#### 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 2020, 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 RMB58,705,674, if favourable; or
- decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB58,705,674, if unfavourable.

### 4. Critical accounting estimates and assumptions (continued)

#### 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 reevaluates 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.

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 and tax losses 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 RMB25,206,000 (2019: RMB18,955,000), if unfavourable.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 4. Critical accounting estimates and assumptions (continued)

#### 4.5 Provision for impairment of receivables

According to HKFRS 9, the Group has adopted the simplified expected credit loss model for its trade receivables (Note 15) 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 at amortised costs have low credit risk at both the beginning and end of the reporting period. Management will reassess the provision by each balance sheet date.

#### 4.6 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5. Investment properties

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Opening net book amount	<b>158,793</b>	165,011
Additions	<b>4,439</b>	3,502
Transferred from property, plant and equipment (Note 6)	<b>4,292</b>	13,401
Transferred to property, plant and equipment (Note 6)	<b>(5,723)</b>	(15,703)
Disposal of a subsidiary (Note 27)	<b>(78)</b>	–
Depreciation	<b>(7,745)</b>	(7,418)
Closing net book amount	<b>153,978</b>	158,793
Cost	<b>216,022</b>	219,941
Accumulated depreciation	<b>(62,044)</b>	(61,148)
Net book amount	<b>153,978</b>	158,793

Investment properties are stated at cost less accumulated depreciation and any impairment losses.

No independent valuation was carried out for the investment properties. As at 31 December 2020, the management estimated fair value of the Group's investment properties amounted to approximately RMB195,849,000 (2019: RMB193,852,000) by making reference to current market prices for similar properties in the similar location and condition with similar leasing arrangement.

For the year ended 31 December 2020, depreciation expense of RMB7,745,000 (2019: RMB7,418,000) has been charged in cost of sales (Note 29).

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 6. Property, plant and equipment

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Vessels	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2019</b>										
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)
<b>opening net book amount as at 1 January 2019</b>	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 of vessels 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
<b>At 31 December 2019</b>										
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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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
<b>Year ended 31 December 2020</b>										
Opening 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
Additions	6,600	20,907	3,315	52,758	21,055	16,415	–	32,210	444,023	597,283
Transferred from construction-in-progress	173,234	437,871	39,513	73,370	22,288	578	–	37,200	(784,054)	–
Transferred from investment properties (Note 5)	5,723	–	–	–	–	–	–	–	–	5,723
Transferred to investment properties (Note 5)	(4,292)	–	–	–	–	–	–	–	–	(4,292)
Transferred to intangible assets (Note 7)	–	–	–	–	–	–	–	–	(6,337)	(6,337)
Disposals (Note 27)	(296)	(850)	(6)	(2,961)	(559)	(1,926)	–	(1,970)	–	(8,568)
Disposal of a subsidiary (Note 27)	(4,693)	–	(950)	–	(3,716)	(624)	–	(609)	(1,237)	(11,829)
Government subsidies	(744)	–	–	–	–	–	–	(141)	–	(885)
Depreciation	(41,307)	(199,186)	(42,514)	(138,265)	(79,006)	(16,642)	(29,603)	(40,533)	–	(587,056)
Closing net book amount	734,103	6,447,815	735,863	1,962,998	427,097	75,785	254,856	144,741	963,223	11,746,481
<b>At 31 December 2020</b>										
Cost	1,014,291	7,911,643	1,067,336	3,496,326	803,930	185,850	616,313	385,896	963,223	16,444,808
Accumulated depreciation	(280,188)	(1,462,005)	(331,473)	(1,531,829)	(374,298)	(110,065)	(361,457)	(241,151)	–	(4,692,466)
Accumulated impairment losses	–	(1,823)	–	(1,499)	(2,535)	–	–	(4)	–	(5,861)
Net book amount	734,103	6,447,815	735,863	1,962,998	427,097	75,785	254,856	144,741	963,223	11,746,481

For the year ended 31 December 2020, depreciation expense of RMB565,617,000, RMB243,000 and RMB21,196,000 (2019: RMB545,255,000, RMB407,000 and RMB20,155,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively (Note 29).

During the year ended 31 December 2020, the Group has capitalised borrowing costs of RMB37,555,000 (2019: RMB63,286,000) on qualifying assets (Note 30). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.01% (2019: 3.86%).

As the net asset value of container loading and unloading and storage (“CLUS”) business segment is higher than the Company’s market capitalisation, management performed impairment assessment on non-current assets (including goodwill) belong to the CLUS business segment, which is also a CGU and includes property, plant and equipment with net carrying amount of RMB7,114,108,000, detailed impairment assessment of the CGU and key assumptions used are disclosed in Note 7(a). Based on the impairment assessment, no impairment was provided for property, plant and equipment of the CGU.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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
<b>At 1 January 2019</b>					
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
<b>Year ended 31 December 2019</b>					
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)
<b>opening net book amount as at 1 January 2019</b>	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
<b>At 31 December 2019</b>					
Cost	150,128	—	—	106,617	256,745
Accumulated amortisation	—	—	—	(69,407)	(69,407)
Net book amount	150,128	—	—	37,210	187,338

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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
<b>Year ended 31 December 2020</b>					
Opening net book amount	150,128	—	—	37,210	187,338
Additions	—	—	—	4,850	4,850
Transferred from construction-in-progress (Note 6)	—	—	—	6,337	6,337
Government subsidies	—	—	—	(509)	(509)
Disposal	—	—	—	(21)	(21)
Disposal of a subsidiary (Note 27)	—	—	—	(257)	(257)
Amortisation	—	—	—	(9,675)	(9,675)
Closing net book amount	150,128	—	—	37,935	188,063
<b>At 31 December 2020</b>					
Cost	150,128	—	—	115,961	266,089
Accumulated amortisation	—	—	—	(78,026)	(78,026)
Net book amount	150,128	—	—	37,935	188,063

Amortisation expense of RMB3,648,000, RMB374,000 and RMB5,653,000 (2019: RMB4,359,000, RMB0 and RMB5,258,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively for the year ended 31 December 2020 (Note 29).

#### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 7. Intangible assets (continued)

#### Impairment testing of goodwill (continued)

(a) (continued)

For the purpose of impairment assessment, the goodwill is allocated to the business segment of CLUS, the principal CGU that the Group operates and benefits from the acquisition.

On performing the goodwill impairment assessment, the recoverable amount of CLUS 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 CLUS CGU, the key assumptions used in the value-in-use calculation in 2020 and 2019 are as follows.

	As at 31 December	
	2020	2019
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%

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 7. Intangible assets (continued)

#### Impairment testing of goodwill (continued)

(a) (continued)

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.

As at 31 December 2020, based on value-in-use calculation, the recoverable amount of CLUS CGU was higher than the carrying amount, hence no impairment provision was made against the CGU.

### 8. Right-of-use assets

#### (a) Amounts recognised in the consolidated balance sheet

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Right-of-use assets</b>		
Properties	201,488	242,234
Equipment	88,773	86,841
Land use rights	3,351,059	3,469,422
Port line and sea area use rights	411,252	422,594
	<b>4,052,572</b>	4,221,091
<b>Lease liabilities</b>		
Current	69,112	63,277
Non-current	51,116	181,214
	<b>120,228</b>	244,491

Increase of the cost of right-of-use assets during the 2020 financial year was RMB40,835,000 (2019 financial year: RMB100,236,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 8. Right-of-use assets (continued)

#### (b) Amounts recognised in the consolidated income statement

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Amortisation charges of right-of-use assets (Note 29)</b>		
Properties	68,071	61,033
Equipment	3,909	3,498
Land use rights	106,454	106,041
Port line and sea area use rights	11,342	11,303
	<b>189,776</b>	181,875
Interest portions of lease liabilities	12,048	13,302
Expenses relating to short-term leases	31,081	15,122
Expenses relating to leases of low-value assets that are not shown above as short-term leases	37	5,722
Expenses relating to variable lease payments not included in lease liabilities	32,042	49,212

As the net asset value of CLUS business segment is higher than the Company's market capitalisation, management performed impairment assessment on non-current assets (including goodwill) belong to the CLUS which includes right-of-use assets with net carrying amount of RMB2,940,354,000, detailed impairment assessment and key assumptions used are disclosed in Note 7(a). Based on the impairment assessment, no impairment was provided for right-of-use assets of the CGU.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 9. Subsidiaries

#### (a) Material non-controlling interests

The total non-controlling interests as at 31 December 2020 is RMB6,769,947,000 of which RMB2,359,906,000 is for XPD and RMB4,410,041,000 is attributed to Xiamen Terminal Group.

The total comprehensive income for non-controlling interests as at 31 December 2020 is RMB330,601,000, of which RMB122,202,000 is for XPD and RMB208,399,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests for year ended 31 December 2020 is RMB359,277,000, of which RMB99,775,000 is for XPD and RMB259,502,000 is attributed to Xiamen Terminal Group.

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

#### Summarised balance sheets

	Xiamen Terminal Group		XPD	
	As at 31 December		As at 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	1,089,315	1,008,422	4,178,608	3,781,990
Current liabilities	(1,986,634)	(1,678,105)	(4,803,255)	(3,818,362)
<b>Total net current liabilities</b>	<b>(897,319)</b>	(669,683)	<b>(624,647)</b>	(36,372)
Non-current assets	10,085,492	10,421,622	6,258,255	5,970,234
Non-current liabilities	(700,936)	(1,197,526)	(1,082,759)	(1,472,591)
<b>Total net non-current assets</b>	<b>9,384,556</b>	9,224,096	<b>5,175,496</b>	4,497,643
<b>Net assets</b>	<b>8,487,237</b>	8,554,413	<b>4,550,849</b>	4,461,271
<b>Equity attributable to owners</b>	<b>6,787,619</b>	6,843,808	<b>3,370,777</b>	3,440,688
<b>Non-controlling interests</b>	<b>1,699,618</b>	1,710,605	<b>1,180,072</b>	1,020,583

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 9. Subsidiaries (continued)

#### (a) Material non-controlling interests (continued)

##### Summarised statements of comprehensive income

	Xiamen Terminal Group		XPD	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,030,618	2,060,049	15,705,533	12,146,774
Profit before income tax	560,335	667,717	328,033	310,547
Income tax expense	(99,554)	(129,993)	(105,433)	(97,344)
Profit after income tax	460,781	537,724	222,600	213,203
<b>Total comprehensive income</b>	<b>460,781</b>	<b>537,724</b>	<b>222,600</b>	<b>213,203</b>
<b>Total comprehensive income allocated to non-controlling interests</b>	<b>33,613</b>	<b>38,795</b>	<b>62,682</b>	<b>94,866</b>
<b>Dividend paid to non-controlling interests</b>	<b>44,600</b>	<b>70,250</b>	<b>91,209</b>	<b>74,225</b>

##### Summarised cash flows

	Xiamen Terminal Group		XPD	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash generated from operations	823,460	1,149,686	819,083	757,980
Interest paid	(89,604)	(102,600)	(152,377)	(257,655)
Income tax paid	(93,954)	(184,589)	(90,549)	(97,472)
Net cash generated from operating activities	639,902	862,497	576,157	402,853
Net cash used in investing activities	(101,557)	(133,351)	(326,230)	(501,088)
Net cash (used in)/generated from financing activities	(759,975)	(682,071)	(797,034)	725,098
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(221,630)</b>	<b>47,075</b>	<b>(547,107)</b>	<b>626,863</b>
Cash and cash equivalents at beginning of year	268,644	221,563	985,292	356,990
Exchange gains on cash and cash equivalents	1	6	(8,804)	1,439
<b>Cash and cash equivalents at end of year</b>	<b>47,015</b>	<b>268,644</b>	<b>429,381</b>	<b>985,292</b>

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 10. Interests in joint ventures

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	<b>107,020</b>	68,993
Additions	<b>6,629</b>	36,319
Share of results	<b>7,529</b>	1,708
<b>At 31 December</b>	<b>121,178</b>	107,020

The profit, assets (including goodwill) and liabilities of joint ventures attributable to the Group are shown as following:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	<b>60,488</b>	45,236
Profit for the year	<b>7,529</b>	1,708

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total assets	<b>247,161</b>	236,267
Total liabilities	<b>125,983</b>	129,247

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

As at 31 December 2020, 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 (2019: 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).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 11. Interests in associates

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets	178,901	36,784
Unlisted investments, at cost	163,463	25,212

Movement in investments in associates is set out as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	36,784	38,752
Addition (a)	131,019	—
Disposal	(1,790)	—
Dividends received	(2,733)	(5,360)
Share of results before income tax expense	8,460	4,523
Share of income tax expense	(1,982)	(1,131)
	6,478	3,392
<b>At 31 December</b>	169,758	36,784

- (a) On 28 October 2020, XPD entered into an agreement with Xiamen Road and Bridge Xiangtong Co. Ltd. ("Xiamen Sunstone") to acquire 8.1% equity interest in Xiamen Sunstone at a cash consideration of approximately RMB129,507,000. According to Xiamen Sunstone's Article of Association, XPD has the right to appoint a director to Xiamen Sunstone, and therefore, Xiamen Sunstone is accounted for as an associate of the Group.

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	31,697	31,909
Profit for the year	6,478	3,392

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 11. Interests in associates (continued)

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total assets	292,550	46,098
Total liabilities	122,792	9,314

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.

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

### 12. Fair value measurement of financial assets

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	<b>405,834</b>	963,230
Net fair value (losses)/gains on listed equity investments	(18,949)	4,295
Additions of listed equity investments	60,582	—
Disposals of listed equity investments	(33,845)	—
Net fair value gains on unlisted equity investments	693	825
Purchases/(disposals) of financial assets at fair value through profit or loss	1,754,736	542,256
Net fair value losses on wealth management products (a)	(22,500)	(44,000)
Increase in notes receivables	772	23,740
<b>At 31 December</b>	<b>2,147,323</b>	405,834

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 12. Fair value measurement of financial assets (continued)

Fair value measurement of financial assets include the following:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Financial assets at fair value through other comprehensive income</b>		
– Equity investments listed in the mainland of PRC	56,034	48,246
– Unlisted equity investments	5,671	4,978
– Notes receivables	91,677	90,905
	153,382	144,129
<b>Financial assets at fair value through profit or loss (a)</b>	1,993,941	261,705
	2,147,323	405,834

- (a) As at 31 December 2020, the Group held certain financial assets at fair value through profit or loss of RMB1,993,941,000 (31 December 2019: RMB261,705,000), of which RMB1,400,000,000 was structure deposits (31 December 2019: Nil), RMB546,941,000 was national debts reverse repurchases (31 December 2019: RMB191,705,000) and RMB47,000,000 was wealth management products (31 December 2019: RMB70,000,000).

For the year ended 31 December 2020, fair value losses with an amount of RMB22,500,000 (year ended 31 December 2019: RMB44,000,000) were recognised in profit or loss for certain past due wealth management products with carrying amount of RMB119,500,000 (31 December 2019: RMB120,000,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 13. Deferred income tax

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Deferred income tax assets</b>		
<b>At 1 January</b>	<b>268,461</b>	264,762
(Charged)/credited to		
– consolidated income statement (Note 31)	<b>(10,599)</b>	3,699
<b>At 31 December</b>	<b>257,862</b>	268,461
To be recovered:		
Within 12 months	<b>7,860</b>	8,131
After more than 12 months	<b>250,002</b>	260,330
	<b>257,862</b>	268,461
<b>Deferred income tax liabilities</b>		
<b>At 1 January</b>	<b>421,692</b>	421,831
(Credited)/charged to		
– consolidated income statement (Note 31)	<b>(12,349)</b>	(1,213)
– other comprehensive income (Note 25)	<b>(10,645)</b>	1,074
<b>At 31 December</b>	<b>398,698</b>	421,692
To be settled:		
Within 12 months	<b>13,655</b>	10,398
After more than 12 months	<b>385,043</b>	411,294
	<b>398,698</b>	421,692

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020	184,803	13,093	35,945	34,620	268,461
(Charged)/credited to consolidated income statement (Note 31)	(5,508)	(1,048)	8,375	(12,418)	(10,599)
Deferred tax assets at 31 December 2020	179,295	12,045	44,320	22,202	257,862

	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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 13. Deferred income tax (continued)

- (a) The balance represents i) the deferred income tax assets of RMB39,950,000 (2019: RMB41,177,000) 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 RMB139,345,000 (2019: RMB143,626,000) 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 grants received by the Group.

#### Deferred tax liabilities

	Interest capitalised RMB'000	Fair value gains 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 2020	9,185	10,745	126,548	275,214	421,692
Charged/(credited) to consolidated income statement (Note 31)	1,171	—	(2,725)	(10,795)	(12,349)
Charged to other comprehensive income	—	(10,645)	—	—	(10,645)
Deferred income tax liabilities at 31 December 2020	10,356	100	123,823	264,419	398,698

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 13. Deferred income tax (continued)

#### Deferred tax liabilities (continued)

	Interest capitalised RMB'000	Fair value gains 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

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

- (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 liabilities of RMB264,419,000 (2019: RMB275,214,000) 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 certain subsidiaries.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
2020	—	88,189
2021	85,031	85,031
2022	167,127	167,127
2023	283,415	283,415
2024	303,547	303,547
2025	191,572	—
	<b>1,030,692</b>	927,309

### 14. Inventories

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Raw materials	49,813	67,506
Finished goods and merchandise	1,492,598	1,159,256
Spare parts and consumables	10,221	3,556
	<b>1,552,632</b>	1,230,318
Less: Provision for impairment	(22,991)	(20,583)
	<b>1,529,641</b>	1,209,735

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 RMB14,049,726,000 (2019:RMB10,324,752,000) (Note 29).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 15. Accounts receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Accounts receivables – third parties	<b>1,368,261</b>	1,117,903
Less: expected credit loss allowance (Note 3.1(d))	<b>(96,267)</b>	(86,803)
	<b>1,271,994</b>	1,031,100
Due from fellow subsidiaries (Note 36(b))	<b>10,246</b>	13,558
Due from joint ventures (Note 36(b))	<b>90</b>	34
Due from associates (Note 36(b))	<b>529</b>	931
Due from other related parties (Note 36(b))	<b>8,940</b>	41,411
	<b>1,291,799</b>	1,087,034

There is no concentration of credit risk with respect to accounts receivables 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 15. Accounts receivables (continued)

Ageing analysis of accounts receivables (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:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Less than 6 months	1,143,373	701,241
6 months to 1 year	62,524	360,617
1 year to 2 years	98,821	20,118
2 years to 3 years	2,383	1,851
Over 3 years	80,965	90,010
	<b>1,388,066</b>	1,173,837
Less: expected credit loss allowance of receivables (Note 3.1(d))	<b>(96,267)</b>	(86,803)
	<b>1,291,799</b>	1,087,034

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

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	1,082,595	1,012,961
USD	209,172	74,073
EUR	32	—
	<b>1,291,799</b>	1,087,034

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 15. Accounts receivables (continued)

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

	Year Ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	<b>86,803</b>	105,720
Net provision/(reversal) of expected credit loss allowance	<b>12,370</b>	(18,505)
Uncollectible receivables written off during the year	<b>(2,906)</b>	(412)
<b>At 31 December</b>	<b>96,267</b>	86,803

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

### 16. Other receivables and prepayments

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Other receivables (a) – third parties	<b>635,785</b>	360,676
Less: expected credit loss allowance (Note 3.1(d))	<b>(46,916)</b>	(29,249)
Advances to suppliers	<b>656,507</b>	514,385
	<b>1,245,376</b>	845,812
Due from parent company (Note 36(b))	<b>26,266</b>	29,087
Due from fellow subsidiaries (Note 36(b))	<b>5,956</b>	880
Due from joint ventures (Note 36(b))	<b>–</b>	2,061
Due from other related parties (Note 36(b))	<b>284</b>	1,462
Prepayments and deposits	<b>54,333</b>	39,767
	<b>1,332,215</b>	919,069
Less: long-term portion		
– Prepayments for acquisition of property, plant and equipment	<b>(1,571)</b>	(1,537)
Other receivables and prepayments - current portion	<b>1,330,644</b>	917,532

(a) As at 31 December 2020, the balance mainly represents receivable for a Build-Transfer ("BT") project of RMB34,601,000 (31 December 2019: RMB49,574,000) and value-added tax to be deducted of RMB249,331,000 (31 December 2019: RMB218,460,000 ).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 16. Other receivables and prepayments (continued)

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	<b>29,249</b>	11,125
Net provision of expected credit loss allowance	<b>18,638</b>	18,363
Uncollectible receivables written off during the year	<b>(971)</b>	(239)
<b>At 31 December</b>	<b>46,916</b>	29,249

The net effect of the creation and release of provision for impaired other receivables have been included in "net impairment (losses)/reversals on financial assets" in the consolidated income statement. Amounts charged to the provision account are generally written off against the receivables 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 2020 is the carrying amount of each class of the receivables and prepayments. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2020.

### 17. Term deposits with initial term over three months

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Term deposits (all denominated in RMB)	<b>250,000</b>	650,187

The weighted average effective interest rate on term deposits, with maturity ranging from 3 months to 1 year, is 4.13% (2019: 4.05%) 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 these deposits.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 18. Restricted cash

The restricted cash was held in designated bank accounts 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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash at bank and in hand	957,852	2,533,619
Less: term deposits with initial term over three months (Note 17)	(250,000)	(650,187)
Cash and cash equivalents	707,852	1,883,432
Maximum exposure to credit risk (net of cash in hand)	707,852	1,883,432
Denominated in:		
RMB	579,421	1,800,041
USD	127,489	81,775
HKD	940	1,061
JPY	—	553
EUR	2	2
	707,852	1,883,432

The Group's cash and cash equivalents denominated in RMB are deposited with banks in the mainland of 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 payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Accounts payables – third parties	1,163,330	800,193
Due to parent company (Note 36(b))	2,074	2,136
Due to fellow subsidiaries (Note 36(b))	155,165	82,697
Due to joint ventures (Note 36(b))	—	592
Due to associates (Notes 36(b))	381	—
Due to other related parties (Note 36(b))	10,137	11,016
Notes payable	601,011	367,571
	1,932,098	1,264,205



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 20. Accounts and notes payables (continued)

Ageing analysis of accounts and notes payables (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:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	1,836,001	1,158,436
1 year to 2 years	64,166	69,941
2 years to 3 years	16,313	19,734
Over 3 years	15,618	16,094
	<b>1,932,098</b>	1,264,205

Notes payables 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 payables are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	1,691,603	1,075,689
USD	240,495	188,516
	<b>1,932,098</b>	1,264,205

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21. Other payables and accruals

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Due to parent company (Note 36(b))	14,473	78
Due to fellow subsidiaries (Note 36 (b))	10,673	3,887
Due to joint ventures (Note 36(b))	50	307
Due to associates (Note 36(b))	16,025	16,000
Due to other related parties (Note 36(b))	355	860
Payables for purchases of property, plant and equipment and construction-in-progress	117,404	68,283
Salary and welfare payables	282,149	240,238
Customer deposits	34,759	25,114
Accrued expenses	2,467	3,828
Dividends payable to		
– shareholders of the Company (Note 36 (b))	3,111	3,111
– non-controlling shareholders of subsidiaries (Note 36 (b))	29,562	50,650
Interest payables	19,642	67,298
Payables for business combinations	46,311	62,561
Other payables	142,659	52,890
	<b>719,640</b>	595,105
Less: long-term payables and advances		
– Others	(1,704)	(1,744)
Current portion	<b>717,936</b>	593,361

As at 31 December 2020, the payables due to parent company, fellow subsidiaries, joint ventures, 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 3.68% with fixed repayment terms within 1 year.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 22. Deferred government grants and income

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred income on tax credits related to purchases of domestic manufactured equipment (a)	3,925	5,361
Government grants on purchases of property, plant and equipment (b)	115,152	114,491
	<b>119,077</b>	119,852

- (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 the future years.

Such tax credits available 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.

- (b) The Group received certain government grants in connection with the purchases of property, plant and equipment, land use rights and intangible assets 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 assets, or the remaining balances are recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23. Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Non-current</b>		
Long-term bank borrowings	878,529	1,057,549
Debentures (c)	—	2,298,611
	<b>878,529</b>	3,356,160
<b>Current</b>		
Short-term bank borrowings	1,926,056	2,247,013
Long-term bank borrowings – current portion	49,121	35,694
Debentures – current portion (d)	4,597,367	1,799,467
	<b>6,572,544</b>	4,082,174
Total borrowings	<b>7,451,073</b>	7,438,334
Representing:		
– guaranteed (a)	495,468	456,031
– secured (b)	166,784	105,709
– unsecured	6,788,821	6,876,594
Total borrowings	<b>7,451,073</b>	7,438,334

(a) As at 31 December 2020, a USD bank borrowing of RMB11,101,000 was guaranteed by China Construction Bank (31 December 2019: RMB20,406,000); Bank borrowings of RMB484,367,000 were guaranteed by several non-controlling shareholders of several subsidiaries (31 December 2019: RMB435,625,000).

(b) As at 31 December 2020, bank borrowings of RMB107,498,000 (31 December 2019: RMB58,709,000) were secured by land use rights with carrying amount of RMB45,813,824 (31 December 2019: RMB46,851,000) and bank borrowings of RMB59,286,000 (31 December 2019: RMB47,000,000) were secured by the Group's sea use rights with carrying amount of RMB177,999,706 (31 December 2019: RMB182,574,315).

**23. Borrowings** (continued)

- (c) 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 2020, 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. The holders of the “2017 XIP First Tranche Corporate Bonds” sold back all of their bonds to the Company during the year ended 31 December 2020.
- (d) 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 2019, 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 remaining balance to the issuer. As at 31 December 2020, the XPD First Tranche Corporate Bonds will be expired in the year ending 2021, the rest part of the XPD First Tranche Corporate Bonds with a total principal amount of RMB90,000,000 was reclassified to current portion of long-term debentures.

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 2019, 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. As at 31 December 2020, the XPD Second Tranche Corporate Bonds will be expired in the year ending 2021, the rest part of the XPD Second Tranche Corporate Bonds with a total principal amount of RMB113,300,000 was reclassified to current portion of long-term debentures.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23. Borrowings (continued)

(d) (continued)

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 2021, 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. The principal amount of RMB1,200,000,000 was reclassified to current portion of long-term debentures.

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 2021, 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. The principal amount of RMB900,000,000 was reclassified to current portion of long-term debentures.

On 20 July 2020, the Company issued the eighth 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 2.35% per annum (the “2020 eighth Tranche Super Short-term Notes”).

On 17 September 2020, the Company issued the twelfth tranche of the Super Short-term Notes with a term of 180 days from the date of issue with a total principal amount of RMB300,000,000 at a fixed interest rate of 3.20% per annum (the “2020 twelfth Tranche Super Short-term Notes”).

On 28 September 2020, the Company issued the thirteenth tranche of the Super Short-term Notes with a term of 179 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.28% per annum (the “2020 thirteenth Tranche Super Short-term Notes”).

On 14 October 2020, the Company issued the fourteenth tranche of the Super Short-term Notes with a term of 177 days from the date of issue with a total principal amount of RMB250,000,000 at a fixed interest rate of 3.25% per annum (the “2020 fourteenth Tranche Super Short-term Notes”).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23. Borrowings (continued)

(d) (continued)

On 4 November 2020, the Company issued the fifteenth tranche of the Super Short-term Notes with a term of 120 days from the date of issue with a total principal amount of RMB350,000,000 at a fixed interest rate of 3.40% per annum (the “2020 fifteenth Tranche Super Short-term Notes”).

On 16 November 2020, the Company issued the sixteenth tranche of the Super Short-term Notes with a term of 120 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.56% per annum (the “2020 sixteenth Tranche Super Short-term Notes”).

Total borrowings at the respective balance sheet dates are repayable as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings repayable		
– within 1 year	<b>6,572,544</b>	4,082,174
– between 1 and 2 years	<b>80,191</b>	2,355,220
– between 2 and 5 years	<b>283,045</b>	515,628
– over 5 years	<b>515,293</b>	485,312
	<b>7,451,073</b>	7,438,334

The Group's borrowings as at the respective balance sheet dates are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	<b>7,292,435</b>	7,417,927
USD	<b>11,102</b>	20,407
EUR	<b>147,536</b>	–
Total borrowings	<b>7,451,073</b>	7,438,334

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23. Borrowings (continued)

The weighted average effective interest rates at the respective balance sheet dates are as follows:

	As at 31 December	
	2020	2019
Borrowings denominated in		
– RMB	2.77%	3.86%
– USD	5.15%	4.98%
– EUR	1.50%	—

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 long-term bank borrowings at the respective balance sheet dates are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amounts	878,529	3,356,160
Fair values	878,529	3,376,198

The fair values of non-current debentures are based on quoted market prices 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2020 and 2019	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 2020, there was no movement in the share capital of the Company (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 25. Reserves

	Note	Other reserves			Total RMB'000	Retained earnings RMB'000 (b)	Total RMB'000
		Capital surplus RMB'000 (c)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
<b>Balance at 1 January 2019</b>		(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)	–
<b>Balance at 31 December 2019</b>		(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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 25. Reserves (continued)

Note	Other reserves			Total RMB'000	Retained earnings RMB'000 (b)	Total RMB'000
	Capital surplus RMB'000 (c)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
<b>Balance at 1 January 2020</b>	<b>(634,313)</b>	<b>366,545</b>	<b>11,334</b>	<b>(256,434)</b>	<b>3,177,618</b>	<b>2,921,184</b>
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(8,305)	(8,305)	–	(8,305)
– Gross	–	–	(11,073)	(11,073)	–	(11,073)
– Related deferred income tax	–	–	2,768	2,768	–	2,768
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(17,722)	(17,722)	17,722	–
– Gross	–	–	(23,628)	(23,628)	23,628	–
– Related deferred income tax	–	–	5,906	5,906	(5,906)	–
Addition of partial ownership interest in a subsidiary	(23,787)	–	–	(23,787)	–	(23,787)
Profit for the year	–	–	–	–	284,674	284,674
2019 final dividends	–	–	–	–	(68,155)	(68,155)
Profit appropriation (a)	–	24,654	–	24,654	(24,654)	–
<b>Balance at 31 December 2020</b>	<b>(658,100)</b>	<b>391,199</b>	<b>(14,693)</b>	<b>(281,594)</b>	<b>3,387,205</b>	<b>3,105,611</b>
Representing:						
– 2020 proposed final dividends	–	–	–	–	76,334	76,334
– Others	(658,100)	391,199	(14,693)	(281,594)	3,310,871	3,029,277
	<b>(658,100)</b>	<b>391,199</b>	<b>(14,693)</b>	<b>(281,594)</b>	<b>3,387,205</b>	<b>3,105,611</b>

- (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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 25. Reserves (continued)

- (b) As at 31 December 2020, the Group's retained earnings amounted to RMB3,387,205,000, of which RMB699,493,000 were statutory surplus reserves of the Company's subsidiaries appropriated from their respective retained earnings.
- (c) The opening balance as at 1 January 2020 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:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenues	<b>17,691,738</b>	13,933,106
Other income		
– Government subsidies	<b>244,596</b>	226,289
– Rental income	<b>52,267</b>	54,453
– Dividend income	<b>3,188</b>	12,233
– Others	<b>67,719</b>	26,005
	<b>367,770</b>	318,980
Total	<b>18,059,508</b>	14,252,086

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 and 2019 are as follows:

	For the year ended 31 December 2020					
	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Comprehensive port logistic services	Manufacturing and selling of building materials	Merchandise trading business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenues	2,065,987	833,107	1,079,488	419,815	13,540,244	17,938,641
Inter-segment revenues	–	–	(246,903)	–	–	(246,903)
Revenues	2,065,987	833,107	832,585	419,815	13,540,244	17,691,738
Operating profit	649,047	110,193	203,967	8,496	89,564	1,061,267
Finance income						27,287
Finance costs						(275,443)
						813,111
Share of profits less losses of joint ventures	6	–	7,523	–	–	7,529
Share of profits less losses of associates	655	–	5,478	345	–	6,478
<b>Profit before income tax</b>						<b>827,118</b>
Income tax expense						(210,539)
<b>Profit for the year</b>						<b>616,579</b>
<b>Other information:</b>						
Depreciation	360,480	147,165	76,415	4,791	5,950	594,801
Amortisation	131,925	43,525	19,818	8	4,175	199,451
Net provision for/(reversal of) impairment of						
– inventories	432	–	335	–	3,504	4,271
– receivables and advances to suppliers	741	48	(2,440)	(2,338)	34,997	31,008

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 and 2019 are as follows: (continued)

	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
<b>Profit before income tax</b>						900,918
Income tax expense						(232,159)
<b>Profit for the year</b>						668,759
<b>Other information:</b>						
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)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 and 2019 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
<b>As at 31 December 2020</b>						
Segment assets	11,125,896	4,882,572	2,301,676	181,372	3,099,324	21,590,840
Including:						
Interest in joint ventures	6,026	–	115,152	–	–	121,178
Interests in associates	1,847	–	32,483	135,428	–	169,758
Additions to non-current assets	163,504	358,353	118,665	1,438	5,447	647,407
Segment liabilities	615,043	265,809	886,039	6,684	1,715,584	3,489,159
<b>As at 31 December 2019</b>						
Segment assets	12,542,265	4,754,379	2,669,361	236,128	2,056,522	22,258,655
Including:						
Interest 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

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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total segment assets	<b>21,590,840</b>	22,258,655
Add: Deferred income tax assets	<b>257,862</b>	268,461
Financial assets at fair value through profit or loss	<b>1,993,941</b>	261,705
Financial assets at fair value through other comprehensive income	<b>153,382</b>	144,129
Derivative financial instruments	<b>540</b>	—
Total assets per consolidated balance sheet	<b>23,996,565</b>	22,932,950

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total segment liabilities	<b>3,489,159</b>	2,650,092
Add: Deferred income tax liabilities	<b>398,698</b>	421,692
Taxes payable	<b>59,820</b>	48,706
Borrowings	<b>7,451,073</b>	7,438,334
Total liabilities per consolidated balance sheet	<b>11,398,750</b>	10,558,824

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. Other losses – net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net fair value losses on financial assets at fair value through profit or loss (Notes 12)	(25,577)	(44,000)
(Losses)/gains on fair value movements of derivatives	(27,386)	21,946
Gains on disposal of held-for-sale assets	—	10,313
Gains on disposal of a subsidiary (a)	12,379	—
Net gains on disposal of property, plant and equipment and land use rights	2,754	6,235
Others	5,240	1,359
	(32,590)	(4,147)

#### (a) Gains on disposal of subsidiary

On 28 December 2020, XPD disposed its entire (95%) equity interest in Xiamen Road and Bridge Building Materials Co., Ltd. ("XRBM") to Xiamen Sunstone for a cash considerations of approximately RMB109,083,000.

The gain resulting from this disposal of RMB12,379,000 is the difference between the cash consideration for XRBM and the carrying amounts of the net assets of RMB96,704,000 disposed of.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28. Employee benefit expenses

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	991,493	865,127
Welfare, medical and other expenses	97,212	119,433
Contributions to pension plans (a)	89,519	136,847
Contributions to supplementary pension scheme	34,639	27,144
	<b>1,212,863</b>	1,148,551

#### (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% (2019: 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020

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
<b>Executive directors:</b>					
Cai Liqun	—	301	61	803	1,165
Lin Fuguang (i)	—	280	53	508	841
Chen Zhaohui	—	319	55	689	1,063
Chen Zhen (i)	—	281	54	620	955
<b>Non-executive directors:</b>					
Chen Zhiping	119	—	—	—	119
Miao Luping	59	—	—	—	59
Fu Chengjing	119	—	—	—	119
Huang Zirong	119	—	—	—	119
Bai Xueqin	119	—	—	—	119
<b>Independent non-executive directors:</b>					
Liu Feng	119	—	—	—	119
Lin Pengjiu	119	—	—	—	119
You Xianghua	119	—	—	—	119
Jin Tao	119	—	—	—	119
Ji Wenyuan	119	—	—	—	119
<b>Supervisors:</b>					
Du Hongjia	79	—	—	—	79
Zhang Guixian	79	—	—	—	79
Liao Guosheng	468	56	53	395	972
Liu Xiaolong	342	68	46	444	900
Tang Jinmu	79	—	—	—	79
Xiao Zuoping	79	—	—	—	79
<b>Senior management:</b>					
Xu Xubo	39	6	7	387	439
Wu Yansong	441	75	51	496	1,063
<b>Board secretary:</b>					
Cai Changzhen	184	60	45	420	709
	<b>2,920</b>	<b>1,446</b>	<b>425</b>	<b>4,762</b>	<b>9,553</b>

(i) Mr. Chen Zhen and Mr. Lin Fuguang were appointed as the executive directors of the Company on 28 February 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28. Employee benefit expenses (continued)

#### (b) Emoluments of directors, supervisors and senior management (continued)

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
<b>Executive directors:</b>					
Cai Liqun	—	297	86	548	931
Fang Yao (ii)	—	150	44	493	687
Chen Zhaohui	—	295	84	553	932
Ke Dong (ii)	—	130	42	562	734
<b>Non-executive directors:</b>					
Chen Zhiping	116	—	—	—	116
Miao Luping	116	—	—	—	116
Fu Chengjing	116	—	—	—	116
Huang Zirong	116	—	—	—	116
Bai Xueqin	116	—	—	—	116
<b>Independent non-executive directors:</b>					
Liu Feng	116	—	—	—	116
Lin Pengjiu	116	—	—	—	116
You Xianghua	116	—	—	—	116
Jin Tao	116	—	—	—	116
Ji Wenyuan	116	—	—	—	116
<b>Supervisors:</b>					
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 (ii)	252	42	52	147	493
<b>Senior management:</b>					
Xu Xubo	466	53	78	360	957
Chen Zhen	219	52	74	428	773
<b>Board secretary:</b>					
Cai Changzhen	183	52	67	314	616
	3,007	1,127	610	3,762	8,506

- (ii) On 9 July 2019, Mr. Ke Dong and Mr. Fang Yao resigned from the positions of executive directors of the Company. On 13 December 2019, Mr. Wu Weijian resigned from the position of supervisor of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 three (2019: two) directors and one supervisor (2019: one) whose emoluments are reflected in the analysis presented in (b) above. The emoluments payable to the remaining one (2019: two) individual (the "Individuals") during the year are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	516	790
Contributions to pension plans	51	152
Discretionary bonuses	496	788
	1,063	1,730

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 Individual fall within the following bands:

Emolument bands	Number of Individuals	
	2020	2019
Nil to HK\$1,000,000 (equivalent to Nil to RMB896,000)	—	1
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB896,001 to RMB1,344,000)	1	1

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 are as follows:

Remuneration by band*	Number of individuals	
	2020	2019
Nil to HK\$1,000,000 (equivalent to Nil to RMB896,000)	—	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB896,001 to RMB1,344,000)	5	2

\* To the nearest RMB100,000

### 29. Expenses by nature

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of inventories sold/consumed (Note 14)	14,049,726	10,324,752
Employee benefit expenses (Note 28)	1,212,863	1,148,551
Distribution, transportation and labour outsourcing	473,752	463,316
Depreciation of		
– investment properties (Note 5)	7,745	7,418
– property, plant and equipment (Note 6)	587,056	565,817
Amortisation of		
– intangible assets (Note 7)	9,675	9,617
– right-of-use assets (Note 8)	189,776	181,875
Repairs and maintenance	109,980	96,818
Short-term or low-value operating lease rentals in respect of property, plant and equipment	63,160	70,056
General office expenses	58,009	54,942
Advertising and marketing expenses	23,492	54,749
Stamp duty and real estate tax	43,239	39,515
Dredging expenses	18,214	37,390
Insurance expenses	24,930	16,750
Net provision for impairment of		
– inventories	4,271	8,566
– property, plant and equipment	—	186
Project subcontract expenses	7,068	4,996
Auditors' remuneration		
– audit services	3,355	3,345
– non-audit services	375	75
Others	47,957	34,869
Total cost of sales, selling and marketing expenses and general and administrative expenses	16,934,643	13,123,603

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 30. Finance income and costs

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income	27,287	19,384
Interest costs on borrowings	(300,833)	(297,510)
Interest portions of lease liabilities	(12,048)	(13,302)
Less: amounts capitalised	37,555	63,286
Net foreign exchange losses	(117)	(518)
	(275,443)	(248,044)
Finance costs – net	(248,156)	(228,660)

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 2020 was 4.01% (2019: 3.86%) 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, their applicable income tax rate is 16.5% (2019: 16.5%).

Hong Kong profits tax has not been provided as the estimated assessable profits deriving from Hong Kong are low assessable profits for the year ended 31 December 2020 (2019: 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 2020 is 15% (2019: 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 2020 is 15% (2019: 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 2020 is 25% (2019: 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 2020 is 15% (2019: 15%).

Except for Songyu Terminal, XICT, Xiamen Terminal Group, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company established in the PRC are subject to the PRC corporate income tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31. Taxation (continued)

#### (b) PRC corporate income tax (continued)

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
PRC corporate income tax expense	212,289	237,071
Deferred income tax credit (Note 13)	(1,750)	(4,912)
	<b>210,539</b>	232,159

#### (c) Income tax expense

The difference between the actual income tax charge in the consolidated income statement and the amount which would result from applying the standard PRC tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	827,118	900,918
Less: share of profits less losses of joint ventures	(7,529)	(1,708)
Less: share of profits less losses of associates	(6,478)	(3,392)
	<b>813,111</b>	895,818
Tax calculated at the standard PRC tax rate of 25% (2019: 25%)	203,278	223,955
Effect of preferential tax rate of:		
– Xiamen Terminal Group	(36,312)	(47,974)
– Songyu Terminal	(7,337)	(7,257)
– XICT	(2,874)	(4,266)
– Haiyu	–	(11,754)
Expenses not deductible for income tax purposes	2,873	3,176
Tax losses for which no deferred tax assets were recognised	47,893	75,887
Others	3,018	392
Income tax expense	<b>210,539</b>	232,159

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 32. Dividends

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Proposed final dividends		
– Domestic share	<b>48,706</b>	43,488
– H share	<b>27,628</b>	24,667
	<b>76,334</b>	68,155

At the Board meeting held on 26 March 2021, the Board proposed a final dividend of RMB2.8 cents per share (tax inclusive) totalling RMB76,333,600 for the year ended 31 December 2020 (2019: RMB2.5 cents per share (tax inclusive) totalling RMB68,155,000). This proposed final dividend for 2020 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 11 June 2021, 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 2020 of RMB284,674,000 (2019: RMB279,684,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2019: 2,726,200,000) shares.

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 34. Notes to consolidated statement of cash flows

#### (a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	827,118	900,918
Adjustments for		
– Share of profits less losses of joint ventures	(7,529)	(1,708)
– Share of profits less losses of associates	(6,478)	(3,392)
– Depreciation of property, plant and equipment	587,056	565,817
– Depreciation of investment properties	7,745	7,418
– Amortisation of intangible assets	9,675	9,617
– Amortisation of right-of-use assets	189,776	181,875
– Impairment of property, plant and equipment	–	186
– Gains on disposal of property, plant and equipment	(2,754)	(6,235)
– Net fair value losses on financial assets at fair value through profit or loss	22,500	44,000
– Provision for impairment of inventories	4,271	8,566
– Provision /(reversal) for impairment of receivables	31,008	(142)
– Dividend income	(3,188)	(12,233)
– Interest income	(27,287)	(19,384)
– Interest expenses	275,443	248,044
– Unrealised foreign exchange (losses)/gains	(8,818)	1,445
– Gain on disposal of a subsidiary	(12,379)	–
	<b>1,886,159</b>	1,924,792
Changes in working capital		
– Accounts receivables	(215,001)	(84,017)
– Other receivables and prepayments	(430,813)	(30,456)
– Inventories	(322,314)	(115,084)
– Accounts and notes payables	667,893	267,228
– Other payables and accruals	289,087	(75,649)
Net cash generated from operations	<b>1,875,011</b>	1,886,814

For the year ended 31 December 2020, there are no significant non-cash transactions (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 34. Notes to consolidated statement of cash flows (continued)

#### (b) Net debt reconciliation

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	707,852	1,883,432
Borrowings — repayable within one year (including overdraft)	(6,572,544)	(4,082,174)
Borrowings — repayable after one year	(878,529)	(3,356,160)
<b>Net debt</b>	<b>(6,743,221)</b>	<b>(5,554,902)</b>
Cash and liquid investments	707,852	1,883,432
Gross debt — fixed interest rates	(5,405,042)	(4,611,767)
Gross debt — variable interest rates	(2,046,031)	(2,826,567)
<b>Net debt</b>	<b>(6,743,221)</b>	<b>(5,554,902)</b>

	Cash/ bank RMB'000	Liabilities from financing activities			Total RMB'000
		Finance lease liabilities 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	
<b>Net debt as at 31 December 2018</b>	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
<b>Net debt as at 31 December 2019</b>	1,883,432	—	(4,082,174)	(3,356,160)	(5,554,902)
<b>Net debt as at 31 December 2019</b>	<b>1,883,432</b>	<b>—</b>	<b>(4,082,174)</b>	<b>(3,356,160)</b>	<b>(5,554,902)</b>
Net cash flows	(1,166,762)	—	(92,672)	137,067	(1,122,367)
Foreign exchange adjustments	(8,818)	—	(1,320)	(291)	(10,429)
Other non-cash movements	—	—	(2,396,378)	2,340,855	(55,523)
<b>Net debt as at 31 December 2020</b>	<b>707,852</b>	<b>—</b>	<b>(6,572,544)</b>	<b>(878,529)</b>	<b>(6,743,221)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 35. Commitments

#### (a) Capital expenditure commitments

The Group's capital expenditures contracted for at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred	458,101	627,019

Committed capital expenditures as at 31 December 2020 were 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 2020 but the related capital expenditures had not been incurred as at that date.

#### (b) Operating lease commitments

The future minimum lease payments as at balance sheet date under non-cancellable operating leases are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Leases within one year	6,139	13,060
Low-value leases	73	7,480
	6,212	20,540

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 and balances arising from these significant related party transactions.

(a) During the year, the Group had the following significant transactions with related parties:

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Transactions with parent company</b>			
<b>Revenue</b>			
Power supply and maintenance and electrical equipment maintenance	(i)	12,604	14,679
<b>Expenses</b>			
Lease rentals in respect of land, port facilities and office premises	(i)	51,870	61,000
Interest portion of lease liabilities	(i)	937	1,282
<b>Others</b>			
Purchases of right-of-use assets	(i)	10,757	38,448
Purchases of property, plant and equipment	(i)	14,186	—
<b>Transactions with fellow subsidiaries</b>			
<b>Revenue</b>			
Port services	(i)	33,468	33,456
Trading sales	(i)	1,011	3,804
Transportation service	(i)	1,562	1,056
Tally service	(i)	3,058	2,916
Lease rental in respect of land, port facilities and office premises	(i)	516	623
<b>Expenses</b>			
Office and property management	(i)	15,904	14,465
Lease rentals in respect of land, port facilities and office premises	(i)	11,051	10,079
Comprehensive service fee	(i)	25,920	20,538
Labour service fee	(i)	117,722	94,997
Information services	(i)	21,387	12,429
Project management services	(i)	2,490	8,511
<b>Others</b>			
Purchases of property, plant and equipment	(i)	48,749	77,690

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 36. Significant related party transactions (continued)

- (a) During the year, the Group had the following significant transactions with related parties (continued):

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Transaction with joint ventures</b>			
<b>Revenues</b>			
Power supply and maintenance and electrical equipment maintenance	(i)	98	113
Lease rentals in respect of land, port facilities and office premises	(i)	1,690	1,792
Loading and unloading services rendered	(i)	15,005	38,035
<b>Expenses</b>			
Lease rentals in respect of land, port facilities and office premises		1,203	480
<b>Transaction with associates</b>			
<b>Revenues</b>			
Lease rentals in respect of land, port facilities and office premises	(i)	1,503	1,542
<b>Transactions with other related parties</b>			
<b>Revenues</b>			
Loading and unloading services rendered	(i)	161,015	166,475
<b>Expenses</b>			
Purchases of commercial goods	(i)	41,983	38,460

- (i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 36. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>Balances with parent company</b>			
Other receivables and prepayments		26,266	29,087
Dividend payable		3,111	3,111
Accounts payables		2,074	2,136
Other payables and accruals		14,473	78
Lease liabilities		19,715	26,985
<b>Balances with fellow subsidiaries</b>			
Accounts receivables		10,246	13,558
Other receivables and prepayments		5,956	880
Accounts payables		155,165	82,697
Other payables and accruals		10,673	3,887
<b>Balances with joint ventures</b>			
Accounts receivables		90	34
Other receivables and prepayments		—	2,061
Accounts payables		—	592
Other payables and accruals		50	307
<b>Balances with associates</b>			
Accounts receivables		529	931
Accounts payables		381	—
Other payables and accruals	(i)	16,025	16,000
<b>Balances with non-controlling shareholders of subsidiaries</b>			
Dividend payables		29,562	50,650
<b>Balances with other related parties</b>			
Accounts receivables		8,940	41,411
Other receivables and prepayments		284	1,462
Accounts payables		10,137	11,016
Other payables and accruals		355	860

(i) As at 31 December 2020, except for the other payables of RMB16,000,000 to associates, which is interest bearing at 3.68% per annum and has fixed terms of repayment, other balances with related parties are unsecured, interest free and have no fixed terms of repayment or are subject to agreed credit terms for trade receivables.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 36. Significant related party transactions (continued)

(c) Key management compensation:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Emoluments	2,920	3,324
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,446	1,184
Contributions to pension plans	425	686
Discretionary bonuses	4,762	4,045
	9,553	9,239

### 37. Particulars of subsidiaries, joint ventures and associates

#### (a) Subsidiaries

As at 31 December 2020, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December		Directly held	Indirectly held	
		2020	2019	2020	2019			
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
<b>Listed and established in the mainland of PRC</b>								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	531,000	531,000	61.89%	–	55.13%	–	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
<b>Unlisted and established in the mainland of PRC</b>								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency") <sup>46</sup>	Limited liability company	30,000	30,000	–	37.13%	–	33.08%	Shipping agency services for international vessels
Xiamen Wailun Tally Co., Ltd. <sup>46</sup>	Limited liability company	17,000	17,000	–	42.70%	–	38.04%	Tallying of cargo and container services

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2020	2019	Directly held	Indirectly held	Directly held	Indirectly held	
		(RMB'000)						
<b>Unlisted and established in the mainland of PRC (continued)</b>								
Xiamen Port Shipping Co., Ltd. <sup>5</sup>	Limited liability company	135,000	135,000	10%	55.70%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Port Logistics Co., Ltd. ("XPL") <sup>6</sup>	Limited liability company	65,000	65,000	–	60.03%	–	55.26%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agency Co., Ltd. <sup>6*</sup>	Limited liability company	2,000	2,000	–	49.51%	–	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. <sup>7</sup>	Limited liability company	70,000	70,000	–	–	–	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd. <sup>6*</sup>	Limited liability company	12,000	12,000	–	37.13%	–	33.08%	Agency services for import and export of products / technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd. <sup>6*</sup>	Limited liability company	2,000	2,000	–	37.13%	–	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd. <sup>6*</sup>	Limited liability company	5,000	5,000	–	37.13%	–	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd. <sup>6*</sup>	Limited liability company	3,800	3,800	–	37.13%	–	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd. <sup>6*</sup>	Limited liability company	8,000	8,000	–	37.13%	–	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd. <sup>6</sup>	Limited liability company	35,000	35,000	–	60.22%	–	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2020	2019	2020		2019		
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted and established in the mainland of PRC (continued)</b>								
Xiamen Ganghua Logistics Co., Ltd. <sup>8</sup>	Limited liability company	6,630	6,630	50%	30.02%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd. <sup>8</sup>	Limited liability company	81,000	81,000	–	61.43%	–	55.17%	Container deposit, land transport
Xiamen Port Trading Co., Ltd. <sup>8</sup>	Limited liability company	180,000	180,000	–	61.89%	–	55.13%	Commodity export agency and sales
Xiamen Port Hailuda Building Material, Ltd. <sup>**8</sup>	Limited liability company	7,000	7,000	–	49.51%	–	41.90%	Manufacturing, processing and selling of building materials
Xiamen Wali Logistics Management Co., Ltd. <sup>**8</sup>	Limited liability company	300	300	–	53.23%	–	47.41%	Container deposit, land transport and logistics management
Xiamen Port Haicang Container Inspection Services Co., Ltd. ("Haicang Container Inspection") <sup>*</sup>	Limited liability company	1,000	1,000	–	44.59%	–	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.") <sup>**8</sup>	Limited liability company	135,000	135,000	–	49.51%	–	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. <sup>**8</sup>	Limited liability company	10,000	10,000	–	49.51%	–	44.10%	Domestic and international freight agency, cargo storage, deposit and packing services
J'ian Port Development Logistics Co., Ltd. (formerly known as "J'ian Lugang Logistics Co., Ltd.") <sup>*</sup>	Limited liability company	70,000	70,000	–	61.89%	–	55.13%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100%	–	100%	–	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd. <sup>**8</sup>	Limited liability company	125,953	125,953	–	31.56%	–	28.12%	Port supporting services, investment and development

## Notes to the Consolidated Financial Statements

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### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December		As at 31 December		
		2020	2019	2020	2019	2020	2019	
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted and established in the mainland of PRC (continued)</b>								
Zhangzhou Gulei Harbour Highway Co., Ltd. <sup>8</sup>	Limited liability company	40,000	40,000	–	61.89%	–	55.13%	Road construction, port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd. <sup>8</sup>	Limited liability company	450,000	450,000	–	44.95%	–	55.13%	Bulk/general cargo loading and unloading business
Chaozhou Port Development Co., Ltd. <sup>8*</sup>	Limited liability company	224,000	224,000	–	43.32%	–	38.59%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd. <sup>8*</sup>	Limited liability company	8,000	8,000	–	42.02%	–	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd. <sup>8*</sup>	Limited liability company	1,500	1,500	–	49.51%	–	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd. <sup>8</sup>	Limited liability company	10,000	10,000	–	61.89%	–	55.13%	Commodity export agency and sales
Zhangzhou City Longchi Port Development Co., Ltd. <sup>8*</sup>	Limited liability company	85,000	85,000	–	34.04%	–	30.32%	Port supporting services, investment and development
Xiamen Terminal Group	Limited liability company	2,436,604	2,436,604	59.45%	0.30%	59.45%	0.30%	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. <sup>8*</sup>	Limited liability company	50,000	50,000	–	43.87%	–	39.08%	Port logistics
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal") <sup>8</sup>	Limited liability company	1,680,000	1,680,000	–	44.81%	–	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd. <sup>8*</sup>	Limited liability company	72,000	72,000	–	55.70%	–	55.13%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics") <sup>8</sup>	Limited liability company	10,000	10,000	–	61.89%	–	55.13%	National and domestic merchandise agency, keeping and warehousing service
Xiamen Gangjixing Transportation Co., Ltd. ("Gangjixing Transportation") <sup>8*</sup>	Limited liability company	9,500	9,500	–	31.09%	–	28.14%	Container transport

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2020	2019	2020		2019		
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted and established in the mainland of PRC (continued)</b>								
Xiamen Haicang International Container Terminal Ltd. ("XHICT") <sup>a</sup>	Limited liability company	555,515	555,515	–	30.46%	–	30.46%	Container loading and unloading for international trade
Xiamen Port Shihushan Terminal Co., Ltd. <sup>a,b</sup>	Limited liability company	40,000	40,000	–	44.95%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyu Terminal Co., Ltd. <sup>a,b</sup>	Limited liability company	462,000	462,000	–	44.95%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyi Terminal Co., Ltd. <sup>a,b</sup>	Limited liability company	278,000	278,000	–	44.95%	–	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Shihushan Terminal Labour Services Co., Ltd. <sup>a,b</sup>	Limited liability company	740	740	–	44.95%	–	28.12%	Labour services
Shishi City Huajin Terminal Storage and Transportation Co., Ltd. <sup>a</sup>	Limited liability company	600,000	600,000	–	46.42%	–	41.35%	Bulk/general cargo loading and unloading business
Xiamen International Container Terminals Ltd. <sup>a</sup>	Limited liability company	1,148,700	1,148,700	–	30.32%	–	30.32%	Container loading and unloading for international trade
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 Haishun Terminal Co., Ltd.	Limited liability company	13,000	13,000	100%	–	–	–	Bulk/general cargo loading and unloading business
Xiamen Port Building Materials Supply Chain Co., Ltd. <sup>a</sup>	Limited liability company	50,000	50,000	–	31.56%	–	26.71%	Manufacturing, processing and selling of building materials
Xiamen port Hai Heng Industry Co., Ltd. <sup>a</sup>	Limited liability company	10,000	10,000	–	61.89%	–	55.13%	Commodity export agency and sales
Quanzhou Xiagang Tugboat Co., Ltd. <sup>a</sup>	Limited liability company	20,000	20,000	–	55.70%	–	55.13%	Operation of port tugboat

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share / paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2020	2019	2020		2019		
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted and established in Hong Kong of PRC</b>								
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") <sup>⊗</sup>	Limited liability company	HKD1,000,000	HKD1,000,000	–	37.13%	–	33.08%	Shipping agency services for international vessels
Xiamen Port Haiheng (Hong Kong) Limited <sup>⊗</sup>	Limited liability company	HKD3,000,000	HKD3,000,000	–	61.89%	–	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.

\* On 10 December 2020, XPD disposed 95% equity interests in XRBM to a third party.

⊗ The Company entered into the Subscription Agreement with XPD to purchase 94,191,522 new shares issued by XPD with total consideration amounted to nearly RMB600,000,000. 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%. These companies' change in attributable equity interests was caused by the change of the Company's attributable equity interests in XPD.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (b) Joint ventures

As at 31 December 2020, the Group had interests in the following joint ventures:

Name	Paid-in capital		Proportion of ownership held by the Group and profit sharing		Proportion of voting rights held by the Group		Principal activities
	As at 31 December		As at 31 December		As at 31 December		
	2020	2019	2020	2019	2020	2019	
	(RMB'000)						
<b>Unlisted</b>							
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.*	83,000	40,670	49%	49%	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 because the proportion of ownership held by the Group do not meet the required percentage in order to make strategic decisions according to the Article of Association.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 37. Particulars of subsidiaries, joint ventures and associates (continued)

#### (c) Associates

As at 31 December 2020, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests		Principal activities
		As at 31 December		As at 31 December		
		2020	2019	2020	2019	
		(RMB'000)				
<b>Unlisted</b>						
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
Xiamen China United Tally Co., Ltd.	Limited liability company	3,000	3,000	40%	40%	Tallying of cargo and container services
Xiamen Road and Bridge Xiangtong Co., Ltd. (Note 11(a))	Limited liability company	100,000	100,000	8.1%	–	Manufacturing, processing and selling of building materials
Xiamen Port Haicang Free Trade Container Inspection Services Co., Ltd.	Limited liability company	10,000	10,000	16%	16%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection

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 mainland of PRC.

The operations of all subsidiaries (except for Trend Wood), joint ventures and associates are principally carried out in the mainland of PRC.

Except for XPD which is a listed company in the mainland of 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 note represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 38. Balance sheet and reserve movement of the Company

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property		25,617	26,830
Property, plant and equipment		79,760	82,974
Intangible assets		1,115	936
Right-of-use assets		43,039	43,869
Investments in subsidiaries		6,007,057	5,992,398
Interests in joint ventures		4,285	4,285
Financial assets at fair value through other comprehensive income		56,034	48,246
Long-term receivables and prepayments		502,732	857,731
Deferred income tax assets		625	625
<b>Total non-current assets</b>		<b>6,720,264</b>	7,057,894
<b>Current assets</b>			
Financial assets at fair value through profit or loss		1,993,941	261,705
Other receivables and prepayments		2,182,706	1,442,712
Term deposits with initial term of over three months		250,000	650,000
Restricted cash		—	121
Cash and cash equivalents		218,575	626,881
<b>Total current assets</b>		<b>4,645,222</b>	2,981,419
<b>Total assets</b>		<b>11,365,486</b>	10,039,313

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 38. Balance sheet and reserve movement of the Company (continued)

			As at 31 December	
	Note	2020 RMB'000	2019 RMB'000	
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital		2,726,200	2,726,200	
Reserves	(a)	2,755,482	2,585,398	
<b>Total equity</b>		<b>5,481,682</b>	5,311,598	
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings		—	2,107,802	
Long-term payables and advances		394	367	
Lease liabilities		69	—	
Deferred income tax liabilities		100	10,744	
<b>Total non-current liabilities</b>		<b>563</b>	2,118,913	
<b>Current liabilities</b>				
Accounts and notes payables		1,528	905	
Other payables and accruals		727,820	398,723	
Borrowings		5,153,686	2,209,174	
Lease liabilities		207	—	
<b>Total current liabilities</b>		<b>5,883,241</b>	2,608,802	
<b>Total liabilities</b>		<b>5,883,804</b>	4,727,715	
<b>Total equity and liabilities</b>		<b>11,365,486</b>	10,039,313	

**Cai Liqun**  
Director

**Chen Zhaohui**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 38. Balance sheet and reserve movement of the Company (continued)

#### (a) Reserve movement of the Company

	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
<b>Balance at 1 January 2019</b>	(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)	–
<b>Balance at 31 December 2019</b>	(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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 38. Balance sheet and reserve movement of the Company (continued)

#### (a) Reserve movement of the Company (continued)

	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
<b>Balance at 1 January 2020</b>	<b>(61,484)</b>	<b>366,575</b>	<b>45,075</b>	<b>350,166</b>	<b>2,235,232</b>	<b>2,585,398</b>
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(8,305)	(8,305)	–	(8,305)
– Gross	–	–	(11,073)	(11,073)	–	(11,073)
– Related deferred income tax	–	–	2,768	2,768	–	2,768
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	(17,722)	(17,722)	17,722	–
– Gross	–	–	(23,628)	(23,628)	23,628	–
– Related deferred income tax	–	–	5,906	5,906	(5,906)	–
Profit for the year	–	–	–	–	246,544	246,544
2019 final dividends	–	–	–	–	(68,155)	(68,155)
Profit appropriation	–	24,654	–	24,654	(24,654)	–
<b>Balance at 31 December 2020</b>	<b>(61,484)</b>	<b>391,229</b>	<b>19,048</b>	<b>348,793</b>	<b>2,406,689</b>	<b>2,755,482</b>
Representing:						
– 2020 proposed final dividends	–	–	–	–	76,334	76,334
– Others	(61,484)	391,229	19,048	348,793	2,330,355	2,679,148
	<b>(61,484)</b>	<b>391,229</b>	<b>19,048</b>	<b>348,793</b>	<b>2,406,689</b>	<b>2,755,482</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 39. Subsequent events

On 12 March 2021, the Company has completed the issue of the first tranche of the super short-term notes in 2021 with a term of 180 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 3% per annum. Among the net proceeds from the issue of the first tranche super short-term notes in 2021, RMB800,000,000 are used for repaying the Company's twelfth tranche super short-term notes in 2020 and the Company's sixteenth tranche super short-term notes in 2020. In addition, the remaining RMB200,000,000 are used for supplementing the working capital of the Group so as to satisfy the requirement of its business development.

On 24 March 2021, the Company has completed the issue of the second tranche of the super short-term notes in 2021 with a term of 177 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.99% per annum. The Company intends to use RMB500,000,000 of the net proceeds from the issue of the second tranche super short-term notes in 2021 to repay the Company's thirteenth tranche super short-term notes in 2020, the Company intends to use the remaining RMB300,000,000 to supplement the working capital of the Group so as to satisfy the requirement of its business development.



**XIAMEN INTERNATIONAL PORT CO., LTD\***  
**廈門國際港務股份有限公司**

22nd Floor, No. 31 Donggang North Road, Xiamen, PRC  
Postal code: 361013

Tel: +86-592-5829478

Fax: +86-592-5613177

Website: <http://www.xipc.com.cn>