



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

Stock Code: 06198.HK 601298.SH

ANNUAL REPORT 2020



* For identification purpose only



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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings:

“2020 AGM”	the 2020 annual general meeting of the Company to be held on 28 June 2021
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the Board of Directors of the Company
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refers to the location designated by carriers for de-vanning of containerized cargo
“Commonly Held Entities”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
“Corporate Governance Code”	the Governance Corporate Code and Governance Corporate Report as set out in Appendix 14 to the Hong Kong Listing Rules
“COSCO SHIPPING Group”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in the PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Shipping Terminal, holding approximately 21% equity interests in the Company as of 31 December 2020, which is a substantial shareholder and a connected person of the Company, when references are made to connected transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by COSCO SHIPPING Group and the Commonly Held Entities of COSCO SHIPPING Group (if applicable)
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1199), holding approximately 20% equity interests in the Company as of 31 December 2020, which is a substantial shareholder and a connected person of the Company
“Dagang Branch”	Dagang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of domestic container, break bulk cargo, grains and other cargo handling and ancillary services
“Datang Port”	Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary in which the Company holds 51% equity interests, which is mainly engaged in the business of container handling and ancillary services at Dongjiakou Port Area
“Director(s)”	the director(s) of the Company

“Distributable Profit”	calculated by net profit attributable to shareholders of the Company in the scope of the consolidated financial statements prepared in the PRC Accounting Standards for Business Enterprise, deducting recovery of accumulated losses, appropriation to statutory surplus reserve and other necessary reserve by the parent company and subsidiaries as well as the impact of the appraisal value-added amount of the asset invested in the Company by Qingdao Port (Group) Co., Ltd., the promoter at the establishment of the Company, on net profit for the year, etc.
“Dongjiakou Branch”	Dongjiakou Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司董家口分公司), a branch of the Company, which is mainly engaged in the business of break bulk cargo handling and ancillary services
“Dongjiakou General Terminal”	Qingdao Port Dongjiakou General Terminal Co., Ltd. (青島港董家口通用碼頭有限公司), a subsidiary in which the Company holds 80% equity interests, which is mainly engaged in the stevedoring of break bulk cargo and ancillary services
“Financial Holdings”	Shandong Port Financial Holdings Limited (山東港口金融控股有限公司), formerly known as Qingdao Port Financial Holdings Limited (青島港金融控股有限公司), a subsidiary of QDP, when references are made to connected transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by Financial Holdings and the Commonly Held Entities of Financial Holdings (if applicable)
“Gangjian Branch”	Gangjian Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司港建分公司), a branch of the Company, which is mainly engaged in port engineering construction management and other businesses
“Global Offering”	the Hong Kong Public Offering and the International Offering (as defined in the Prospectus) conducted by the Company in May 2014 subject to and in accordance with the terms and conditions set out in the Prospectus and the related application forms
“Group”	the Company and its branches and subsidiaries, when references are made to operational data such as throughput, including joint ventures and associates of the Company
“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests and which is mainly engaged in the business of liquid bulk handling and ancillary services
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services



DEFINITIONS

“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary in which the Company holds 62.07% equity interests, which is mainly engaged in freight forwarding, importing and exporting cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities, etc.
“Mercuria Oil Terminal”	Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司), a subsidiary in which the Company holds 71% equity interests which is mainly engaged in terminal stevedoring and warehousing services of liquid bulk
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“New H Shares Issue”	the issuance of the 243,000,000 new H shares by way of placing pursuant to the specific mandate granted by the shareholders on the 2017 first extraordinary general meeting, 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company held on 10 March 2017
“OBOR”	the Silk Road Economic Belt and 21st Century Maritime Silk Road
“Ocean Bridge International”	Ocean Bridge International Ports Management Co., Ltd. (海路國際港口運營管理有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in investment and management of foreign projects and and other businesses
“PRC” or “China”	the People’s Republic of China, and for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the listing document of the Company in relation to the global offering dated 26 May 2014
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, which holds approximately 55% equity interests in the Company as at the date of this report, when references are made to connected transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by QDP and the Commonly Held Entities of QDP (if applicable)
“Qiangang Branch”	Qiangang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司前港分公司), a branch of the Company, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies

“Qingdao OST”	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a subsidiary in which the Company holds 84% equity interests, which is mainly engaged in the business of tallying services, when references are made to connected transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by Qingdao OST and the Commonly Held Entities of Qingdao OST (if applicable)
“Qingdao Port Logistics”	Qingdao Port International Logistics Co., Ltd. (青島港國際物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of logistics and port value-added services, such as transportation, agency and warehousing services
“Qingdao Port Oil Port”	Qingdao Port International Oil Port Co., Ltd. (青島港國際油港有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in crude oil warehousing and other businesses
“Qingdao SASAC”	the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會), as at the date of this report, holding 51% equity interests of QDP
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services
“Qingyin Financial Leasing”	Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), an associate in which the Company holds 9% equity interests, which is mainly engaged in the business of assets leasing
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of container handling and ancillary services
“QQCTN”	Qingdao Qianwan New Container Terminal Co., Ltd. (青島新前灣集裝箱碼頭有限責任公司), a subsidiary in which QQCT holds 95.32% equity interests, which is mainly engaged in the business of container handling and ancillary services at the automated container terminals
“QQCTU”	Qingdao Qianwan United Container Terminal Co., Ltd. (青島前灣聯合集裝箱碼頭有限責任公司), a joint venture in which QQCTN holds 50% equity interests, which is mainly engaged in the business of container handling and ancillary services
“QQCTUA”	Qingdao Qianwan New United Container Terminal Co., Ltd. (青島前灣新聯合集裝箱碼頭有限責任公司), a joint venture in which QQCTU holds 70% equity interests, which is mainly engaged in the business of container handling and ancillary services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shandong Free Trade Zone”	China (Shandong) Pilot Free Trade Zone
“Shandong Port Group”	Shandong Port Group Co., Ltd. (山東省港口集團有限公司), whose actual controller is the State-owned Assets Supervision and Administration Commission of the People’s Government of Shandong Province, holding 49% equity interests of QDP as at the date of this report
“Shandong Port Lianhua”	Shandong Port Lianhua Pipeline Petroleum Transportation Co., Ltd. (山東港聯化管道石油輸送有限公司), a subsidiary in which the Company holds 51% equity interests, which is mainly engaged in the business of liquid bulk handling and ancillary services
“Shanghai China Shipping Terminal”	Shanghai China Shipping Terminal Development Co., Ltd. (上海中海碼頭發展有限公司), a company established in the PRC and a wholly-owned subsidiary of COSCO SHIPPING Ports, which holds approximately 15.64% equity interests in the Company as at the date of this report
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“TEU”	an abbreviation of Twenty-Foot Equivalent Unit, an international measuring unit with the standard a container with a length of 20 feet, a width of eight feet and a height of eight feet and six inches, also known as the international unit of standard container
“Tugboat Branch”	Tugboat Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司輪駁分公司), a branch of the Company, which is mainly engaged in tugboat and other businesses
“Weihai SASAC”	the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government (威海市人民政府國有資產監督管理委員會)
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services

* The Chinese name(s) of the PRC entities have been translated into English in this annual report for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

** Certain amounts and percentage figures included in this annual report have been subject to rounding.

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. JIA Funing

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- (1) Headquarters in the PRC:
No. 12 Jingba Road, Huangdao District
Qingdao, Shandong Province
PRC
- (2) Principal Place of Business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

DATES OF LISTING

6 June 2014 (for H shares)
21 January 2019 (for A shares)

PLACES OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited
(H shares)

Main Board of The Shanghai Stock Exchange (A shares)

ABBREVIATED CHINESE STOCK NAME

青島港 (applied to both H shares and A shares)

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port (only applied to H shares)

STOCK CODES

06198 (H shares)
601298 (A shares)

TELEPHONE

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WEBSITE

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BOARD OF DIRECTORS

(1) Executive Directors

Mr. JIA Funing (*Chairman*)
Mr. WANG Xinze (*General Manager*)

(2) Non-executive Directors

Mr. SU Jianguang (*Vice Chairman*)
Mr. FENG Boming
Mr. WANG Jun
Ms. WANG Fuling

(3) Independent Non-executive Directors

Ms. LI Yan
Mr. JIANG Min
Mr. LAI Kwok Ho



CORPORATE INFORMATION

SUPERVISORY COMMITTEE

Mr. ZHANG Qingcai (*Chairman*)
Mr. WANG Yaping
Mr. YANG Qiulin
Mr. LIU Shuiguo
Mr. XIA Xiliang
Ms. WANG Xiaoyan

JOINT COMPANY SECRETARIES

Mr. LIU Yongxia
Ms. LEUNG Suet Wing

AUTHORISED REPRESENTATIVES

Mr. JIA Funing
Mr. LIU Yongxia

SPECIAL COMMITTEES OF THE BOARD

(1) Strategy and Development Committee

Mr. JIA Funing (*Chairman*)
Mr. SU Jianguang
Mr. FENG Boming
Mr. WANG Xinze
Mr. WANG Jun
Ms. WANG Fuling
Mr. JIANG Min

(2) Audit Committee

Ms. LI Yan (*Chairman*)
Ms. WANG Fuling
Mr. LAI Kwok Ho

(3) Remuneration Committee

Mr. LAI Kwok Ho (*Chairman*)
Mr. SU Jianguang
Ms. LI Yan

(4) Nomination Committee

Mr. JIANG Min (*Chairman*)
Mr. JIA Funing
Mr. LAI Kwok Ho

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Center
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS

(1) As to Hong Kong law:

Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place, Quarry Bay, Hong Kong

(2) As to PRC law:

Jia Yuan Law Offices
F408 Ocean Plaza
158 Fuxing Men Nei Avenue
Xicheng District
Beijing, PRC

AUDITOR

PricewaterhouseCoopers Zhong Tian LLP
11th Floor, PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District, Shanghai, PRC

PRINCIPAL BANKERS

Bank of Qingdao Co., Ltd.
Bank of Communications Co., Ltd.
Bank of Hengfeng Co., Ltd.



The Port of Qingdao commenced operations in 1892 and is one of the largest comprehensive ports in the world. It occupies a central position among ports in Northeast Asia and is an important hub of international trade in the West Pacific.

The Company was established on 15 November 2013, listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014 and listed on the Main Board of the Shanghai Stock Exchange on 21 January 2019.

The Group is the primary operator of the Port of Qingdao and operates four port areas in Qingdao, including Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area. It is mainly engaged in stevedoring and ancillary services for different types of cargoes such as container, metal ore, coal and crude oil, logistics and port value-added services, port ancillary services and financial services.

As of 31 December 2020, the Group operated 90 berths at the Port of Qingdao, which included 60 special berths dedicated to handling a single type of cargo and 30 general berths capable of handling metal ore, coal and other general cargo.

Leveraging on the natural deep-water capacity and industry-leading facilities and equipment, services and management, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. The Group also possesses world-leading stevedoring efficiency. In 2020, the Group continued ranking first in the world in terms of the berth efficiency of Maersk vessels, the single-machine average operating rate achieved 47.6 units per hour for fully automated container terminal of the Group, and the single-machine loading and unloading maximum rate for iron ore continued to maintain at 3,200 tons per hour.

COMPANY PROFILE

DISTRIBUTION OF PORT AREAS

Qianwan Port Area



Principal operating companies

QQCT, QQCTU, QQCTN, Qiangang Branch, West United and Qingdao Port Logistics

Principal cargo types

container, dry bulk and break bulk

Number of berths

40

Maximum water depth

-21 meters

Huangdao Oil Port Area

Principal operating company

Qingdao Shihua

Principal cargo type

liquid bulk

Number of berths

13

Maximum water depth

-24 meters



Dongjiakou Port Area



Principal operating companies

Dongjiakou Branch, QDOT, Qingdao Shihua, Mercuria Oil Terminal, Mercuria Logistics, Dongjiakou General Terminal, Datang Port and Huaneng Qingdao

Principal cargo types

dry bulk, liquid bulk and break bulk

Number of berths

19

Maximum water depth

-25 meters

Dagang Port Area

Principal operating company

Dagang Branch

Principal cargo types

container, break bulk and liquid bulk

Number of berths

18

Maximum water depth

-15 meters



2020 MAJOR EVENTS



JAN

Dongjiakou Port – Weifang – Central and Northern Shandong Oil Pipeline (Phase III) was successfully put into operation, opening up the “Golden Channel” of the crude oil industry chain from the coast of the Yellow Sea to the Bohai Bay.

FEB

The Italy Vado Ligure terminal, which was jointly developed and constructed by the Company and other joint venture parties, was put into commercial operation, helping the construction of OBOR and accelerating the pace of international development of the Company.

MAR

The first bonded crude oil blending business in China was completed at the Port of Qingdao, and the Port of Qingdao became the first domestic coastal port with the function of bonded crude oil blending.

The “Jinan Dongjia Town-Qingdao Port” sea-rail intermodal transportation train was opened, which further optimized the layout of Qingdao Port’s inland logistics hub.

APR

The single-machine average operating rate of the fully automated terminal of Qingdao Port reached 44.6 units per hour, breaking the world record of automated terminal stevedoring efficiency once again.

MAY

As the first licensed port company in China, the Company’s Crude Oil Futures Designated Delivery Depot officially came into operation, helping the Company provide domestic customers with diversified services of “spot + futures”.

2020 MAJOR EVENTS

JUN

Dongjiakou Port Area of Qingdao Port passed the national acceptance and officially came into operation, further releasing the port capabilities and providing a strong guarantee for market development.

JUL

The two berths of Qingdao Port Automated Terminal (Phase II) successfully passed the pre-acceptance of port opening, promoting the business scale of automated terminal of Qingdao Port to a new level.

AUG

Qingdao Port achieved a historical record in the export container volume of a single vessel. QQCT, a joint venture of the Company, set a new record of 14,110 TEUs for single vessel export container operation.

SEP

The automated terminal of Qingdao Port was entitled as Qingdao Enterprise Technology Centers, took the lead in completing the construction of the “Automated Container Terminal Standard System” and passed the expert review.

OCT

The cumulative total pipeline transportation volume of the Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline of Qingdao Port exceeded 50 million tons.

NOV

Qingdao Port initiated the construction of the world's first intelligent air-rail collection and distribution system at Qianwan Port Area. After completion, it will further enhance the container collection and distribution capacity and efficiency of Qingdao Port and expand the development space of the port area.

DEC

The Publicity Department of the Central Committee of the Communist Party of China awarded the honorary title of "Model of the Times" to "Liangang Innovation Team" of the Qingdao Port.

The single-machine average operating rate of the fully automated terminal of Qingdao Port reached 47.6 units per hour, breaking the world record of automated terminal stevedoring efficiency for the second time in 2020.

FINANCIAL HIGHLIGHTS

I. REVENUE

Unit: RMB'000

	2020	2019	2018	2017	2016
Gross profit	4,731,817	3,985,390	3,625,978	3,330,122	2,631,426
Period expenses	684,707	366,054	362,500	373,174	526,120
Investment income	1,550,902	1,492,273	1,455,441	1,171,489	803,944
Profit before income tax, depreciation and amortization	6,666,134	6,194,400	5,713,052	4,851,727	3,561,257
Total Profit	5,525,197	5,126,805	4,756,490	3,990,790	2,864,614
Net profit	4,420,360	4,132,602	3,843,526	3,240,363	2,299,092
Including: amounts attributable to shareholders of the Company	<u>3,841,863</u>	<u>3,790,143</u>	<u>3,593,486</u>	<u>3,042,959</u>	<u>2,186,154</u>

II. ASSETS

Unit: RMB'000

	2020	2019	2018	2017	2016
Total assets	57,177,365	52,785,301	48,765,783	48,053,652	38,282,574
Total liabilities	20,436,633	19,187,939	19,346,259	22,990,996	22,800,015
Including:					
borrowings and bonds payable	2,615,015	2,936,192	4,412,150	4,314,267	3,923,668
Total equity	36,740,732	33,597,362	29,419,524	25,062,656	15,482,559
Including: share capital	6,491,100	6,491,100	6,036,724	6,036,724	4,778,204
Equity attributable to the shareholders of the Company	32,996,392	30,357,381	26,979,659	23,554,663	14,235,724
Equity per share attributable to the shareholders of the Company (RMB/share)	5.08	4.68	4.47	3.90	2.98
Asset-liability ratio	<u>35.7%</u>	<u>36.4%</u>	<u>39.7%</u>	<u>47.8%</u>	<u>59.6%</u>

III. FINANCIAL INDICATORS

	Unit: RMB				
	2020	2019	2018	2017	2016
Earnings per share	0.59	0.59	0.60	0.55	0.46
Dividend payments per 1,000 shares	262.20	200.30	379.70 (Note)		130.46
Return on total assets	8.04%	8.14%	7.94%	7.51%	6.57%
Weighted average return on net assets	12.17%	12.94%	14.23%	15.54%	16.25%

Note: The dividends of RMB379.70 (tax inclusive) per 1,000 shares in 2018 represent the aggregated amount of the dividends payable for 2017 and 2018.

CHAIRMAN'S STATEMENT



TO SHAREHOLDERS:

On behalf of the Board, I am pleased to present the annual report of the Company for the year ended 31 December 2020 to each of the shareholders.

2020 is an extraordinary year, with the outbreak of COVID-19 and the global economic recession. China has overcome the impact of the epidemic, accelerated the construction of a new development pattern, and implemented high-quality development in depth. Facing the unprecedented pressure and challenges, the Group focused on the goal of “accelerating the construction of a world-class marine port”, relying on the larger platform of Shandong Port Group, pioneered and innovated, faced up to difficulties, and coordinated efforts in epidemic prevention and control, production and operation, achieved an upward operating performance against the trend.

The Group's status as a hub port continues to strengthen. The Group integrates into the OBOR construction, seizes the opportunity of policy stacking in Shandong Free Trade Zone, China-SCO Demonstration Zone, the national logistics hub city, the strategy of ecological conservation and high-quality development of the Yellow River Basin and the strategy of building China into a country with strong transportation network, and establishes a marketing management center to accelerate business implementation. For the container business, 6 feeder lines of ports in Shandong province were added, and 20 new routes were added in the year, with the total number of routes remaining the first among northern China ports. For the dry bulk and general business, the Company strengthened cooperation with foreign mines, completing stevedoring of mixed ore of 18.77 million tons, ranking first in the coastal ports; completed international transshipment of iron ore of 4.3 million tons, which increased by 87% as compared to the same period in the prior year, ranking second in China. For the liquid bulk business, the Company took the advantages of the pipeline network, and the cumulative total pipeline transportation volume has exceeded 50 million tons since the completion of the oil pipeline. For the logistics business, the number of inland ports and sea-rail intermodal transportation lines reached 18 and 55, respectively, with the volume of sea-rail intermodal transport continuing to rank first among the national coastal ports.

The Group advances the construction of green and intelligent port. The Group built a nation-level technology center and took the lead in building an automated container terminal standard system. Since the automated terminals were put into operation, the operating efficiency has set world record for 6 consecutive times. The Group promoted the implementation of GSBN (Global Shipping Business Network) block chain application and realized a paperless import delivery mode. The Group's application of "Ubiquitous Perception and Prediction Technology for Ultra-large Integrated Ports Based on Cyber-Physical System" was approved by the Ministry of Science and Technology of PRC. The Group took the lead in applying hydrogen energy trucks and independently developed hydrogen-powered automated rail cranes. The shore power allocation rate for vessels calling at the port reached 100%.

The Group's development potential continues to increase. The Group has upgraded its facilities and completed the construction of crude oil terminal Phase II and crude merchant depot Phase I at the Dongjiakou port area and other key projects. The terminal throughput capacity was increased by 30.95 million tons per year, and the liquid bulk storage capacity was increased by 2.96 million cubic meters. The Group expanded its joint venture and cooperation, completing the acquisition of the second phase of the container terminal at Khalifa Port in Abu Dhabi, the Red Star logistics terminals, and Qirun chemical crude oil storage tanks and other projects.

The corporate governance continues to improve. The Group implements strict epidemic prevention and control, insists on "preventing the Coronavirus from entering and spreading within a region, and preventing people, vessels, and cargoes together", and strengthened the prevention and control of key parts and personnel such as international vessels and cold chains, maintaining the safety and stability of the port. The Group strengthened cost reduction and efficiency enhancement, and carried out activities including "saving RMB0.1 per ton of cargo and saving one minute in each business process". The Group deepened corporate reforms, promoted delicacy management, and strengthened corporate modern corporate governance capabilities. The Group made great efforts to formulate the "14th Five-Year Plan" to promote high-quality development of the port. The Group carried out full-staff training, expanded the career development channels for employees and stimulated the vitality of the team.



CHAIRMAN'S STATEMENT

In 2020, the Group achieved a cargo throughput of 538 million tons, increased by 4.5% as compared to the same period in the prior, of which container throughput was 22.01 million TEUs, increased by 4.7% as compared to the same period in the prior year. The Company's net profit attributable to shareholders of the Company was RMB3,842 million, representing an increase of 1.4% as compared to the same period in the prior year, and earnings per share were RMB0.59.

2021 is the first year of the "14th Five-Year Plan". There are still many uncertainties in the COVID-19 epidemic and the external environment. China's economic development is gradually returning to normal and the construction of a new development pattern is accelerated. The Company will rely on the platform advantages of the Shandong port, aim at the vision of "being a world-class marine port", accelerate the construction of an international marine hub in Northeast Asia, grasp the new development stage, implement the new development concept, develop emerging industries, raise the level of intelligent and green development, enhance corporate governance efficiency, and increase both quantity and quality to create greater value for the shareholders of the Company and the society.

Finally, on behalf of the Board, I would like to thank all employees for their hard work in the past year, and express my heartfelt thanks to shareholders and business partners for their strong support and loyal cooperation.

JIA Funing
Chairman

29 March 2021



I. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2020, affected by the COVID-19 epidemic, instability and uncertainty in the international environment increased, the world economy has fallen into recession, the growth of trade has declined, and trade protectionism has gradually risen. Facing the dual impacts of the complex and severe international situation and the epidemic, China has coordinated the advancement of the prevention and control of epidemic and the development of economy and society, effectively promoted the restoration of production and life order, and accelerated the construction of a new development pattern “giving priority to domestic circulation and promoting positive interplay between domestic circulation and international circulation”. The national economy recovered steadily. The annual gross domestic product (GDP) of China increased by 2.3% as compared to the same period in the prior year, and China became the only major economy in the world in 2020 that achieved positive growth (Source: National Bureau of Statistics). Foreign trade grew against the trend, and the total value of imports and exports of goods increased by 1.5% as compared to the same period in the prior year (Source: General Administration of Customs).

In 2020, the cargo throughput of the coastal ports in China increased by 3.2% as compared to the same period in the prior year. The cumulative growth rate has been gradually accelerating since it turned from negative to positive in June 2020, and the overall momentum of development remains stable and positive (Sources: Ministry of Transport of the PRC). In 2020, the cargo throughput and container throughput of the Port of Qingdao continued to rank fifth among national coastal ports in the PRC, and the foreign trade throughput ranked second among national coastal ports in the PRC.

II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

The port is the nation's fundamental and pivotal facility and an important support for economic development. Although the global economy is facing major adjustments and changes in the future, the general trend of economic globalization is irreversible. The port will still undertake the important task of transportation of major global trade materials, and play an important role in the optimization and improvement of the modern integrated transportation system, the promotion and expansion of domestic demand, and the guarantee of domestic market supply.

The Port of Qingdao is located at the intersection of OBOR, connected with vast hinterland. It is close to the Beijing-Tianjin-Hebei Integrated Development Zone to the north, connects with the Yangtze River Delta Integrated Development Zone to the south, borders on the Yellow River Basin Ecological Protection and High-quality Development Economic Belt to the west, and links Japan, South Korea and Southeast Asia to the east. It is open to trade with more than 180 countries and regions in the world. It occupies an important strategic position in accelerating the formation of the new development pattern, namely, “giving priority to domestic circulation and promoting positive interplay between domestic circulation and international circulation”.

In 2020, facing the complex and severe external situation, the Group actively integrated into the new development pattern of “giving priority to domestic circulation and promoting positive interplay between domestic circulation and international circulation”, seized the strategic opportunities of Shandong Free Trade Zone, Shanghai Cooperation Demonstration Zone, and the strategy of replacing old growth drivers with new ones, aimed at constructing an international shipping hub center in Northeast Asia, accelerated the construction of a world-class marine port, deepened the structural reform of the supply-side of port service, improved quality, efficiency and innovative development, continued to improve the comprehensive competitive strength, and maintained steady growth in the operating performance. In 2020, the cargo throughput by the end of the year reached 540 million tons, increased by 4.5% as compared to the same period in the prior year, achieving growth against the trend.

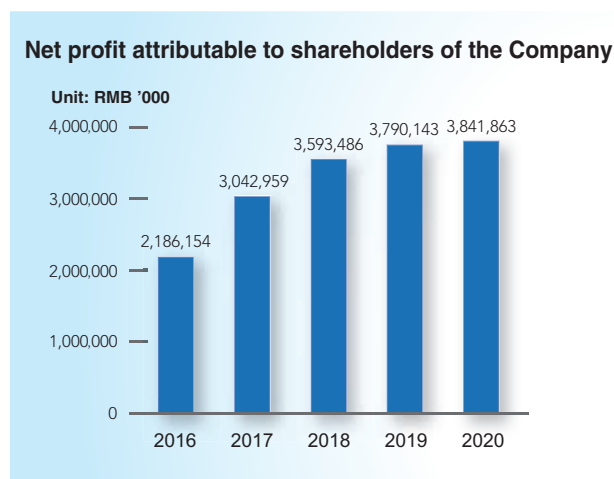
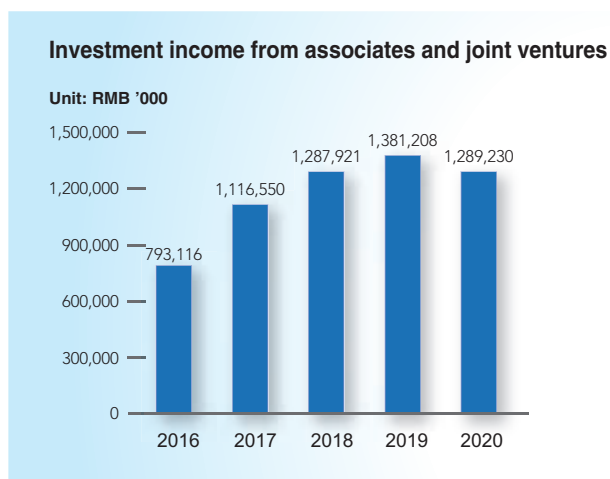
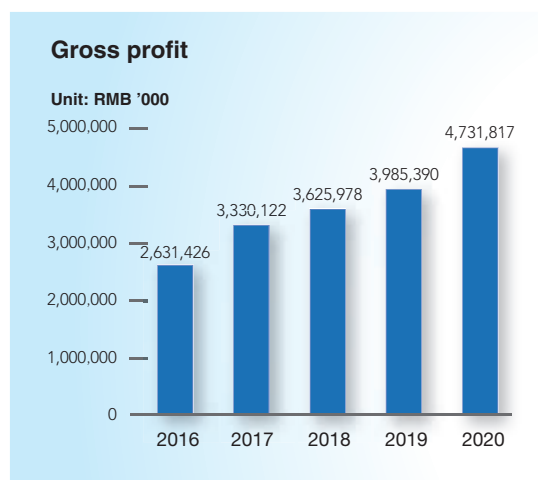
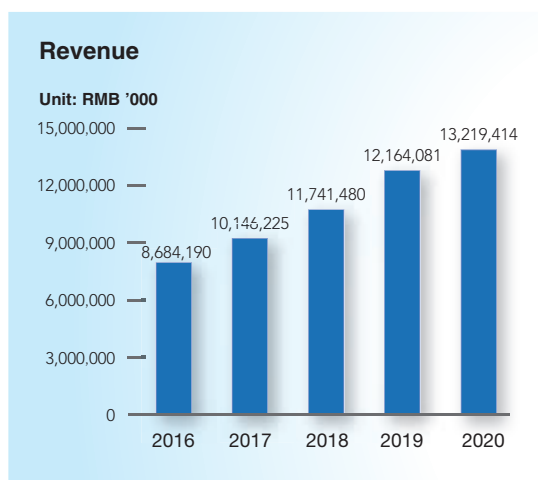
In terms of terminal business, the Group deepened the marketing strategy of the shipping company headquarters, and made every effort to increase shipping lines, expand transshipment and container shipping capacity. In 2020, the number and density of container shipping lines of the Group ranked first among northern ports of China, and the container throughput by the end of the year reached 22.01 million TEUs, increased by 4.7% as compared to the same period in the prior year. The Group strengthened in-depth cooperation with mines, traders and steel mills, vigorously developed value-added services such as ore blending, screening, etc., made efforts in international transit for Japan and South Korea, and expanded “ore supermarkets” to meet the customers' diversified demands. The dry bulk and break bulk throughput by the end of the year reached 200 million tons, increased by 4.7% as compared to the same period in the prior year. The Group coordinated terminal and tank area resources in different port areas, took the advantage of pipelines, and maintained its status of the large port for unloading imported oil. The liquid bulk throughput by the end of the year reached 100 million tons, increased by 4.6% as compared to the same period in the prior year.

In terms of logistics and value-added services, the Group persisted in looking for opportunities in crises, kept abreast of supply-side structural reforms, optimized operating procedures, and improved service efficiency. Based on distinct services, amplified business advantages, and the creation of service brands, the Group continuously improved the integrated logistics service system.

1. Review of Overall Business and Results

The Group is the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports, and is mainly engaged in 6 segments, including container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, liquid bulk handling and ancillary services, logistics and port value-added services, port ancillary services and financial services.

Comparison of Major Operating Indicators



The total revenue of the Group amounted to RMB13,219 million for the year ended 31 December 2020, representing an increase of RMB1,055 million, or 8.7%, as compared to the same period in the prior year, mainly due to the increase in revenue from segments of liquid bulk handling and ancillary services, metal ore, coal and other cargo handling and ancillary services.

The gross profit of the Group was RMB4,732 million for the year ended 31 December 2020, representing an increase of RMB746 million, or 18.7%, as compared to the same period in the prior year, mainly due to the increase in gross profit from the segment of liquid bulk handling and ancillary services.

MANAGEMENT DISCUSSION AND ANALYSIS

The administration expenses of the Group were RMB637 million for the year ended 31 December 2020, representing an increase of RMB134 million, or 26.6%, as compared to the same period in the prior year, mainly due to the increase in labour cost resulting from the increased standard of employee compensation and the implementation of supplementary medical welfare policies for employees.

The investment income of the Group from associates and joint ventures amounted to RMB1,289 million for the year ended 31 December 2020, representing a decrease of RMB92 million, or 6.7%, as compared to the same period in the prior year, mainly due to the decrease in investment income from segments of liquid bulk handling and ancillary services, container handling and ancillary services, and metal ore, coal and other cargo handling and ancillary services.

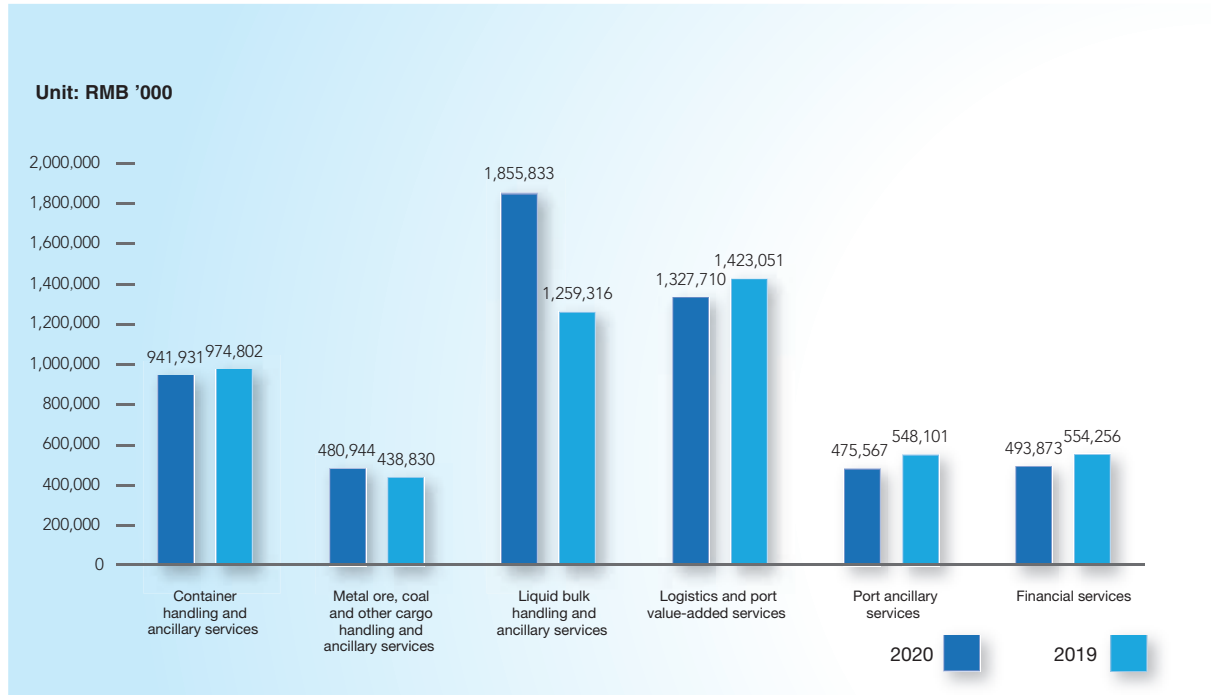
The total profit of the Group amounted to RMB5,525 million for the year ended 31 December 2020, representing an increase of RMB398 million, or 7.8%, as compared to the same period in the prior year, mainly due to the increase in profit from segment of liquid bulk handling and ancillary services.

The net profits attributable to shareholders of the Company amounted to RMB3,842 million for the year ended 31 December 2020, representing an increase of RMB52 million, or 1.4%, as compared to the same period in the prior year.

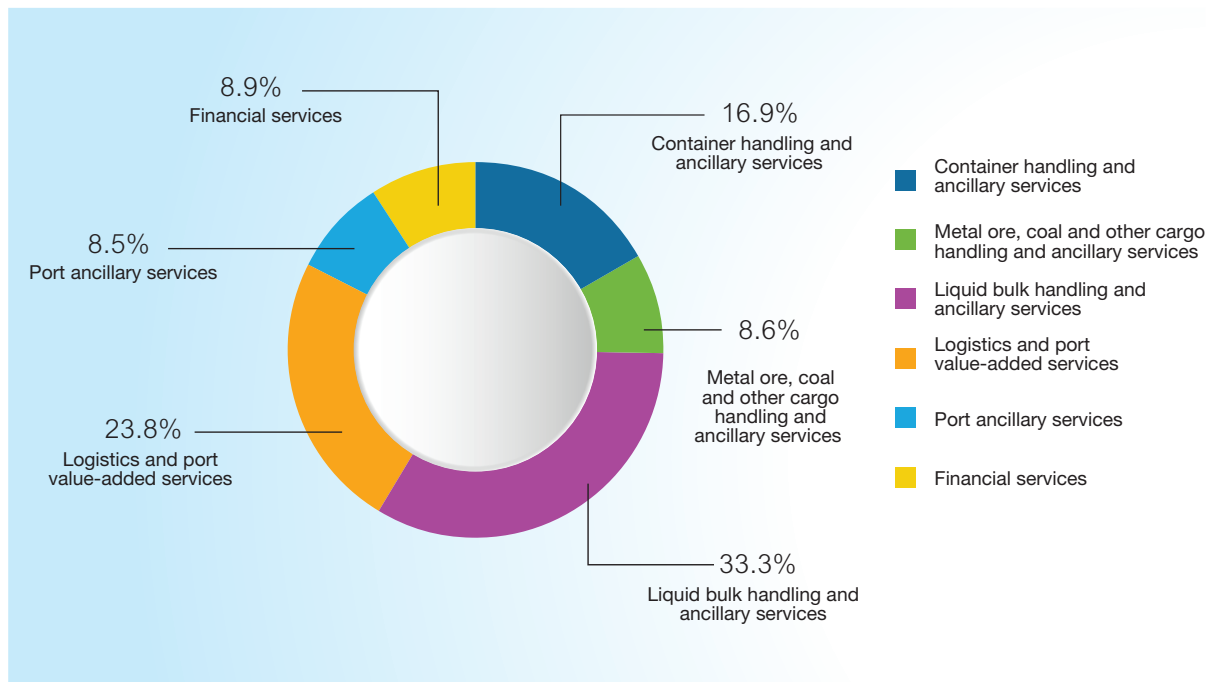
2. Segment Review and Business Review

Segment Results					
Unit: RMB'000					
Business Segments	2020		Results	2019	
	Results	Percentage of the total		Percentage of the total	Change Percentage
Container handling and ancillary services	941,931	16.9%	974,802	18.8%	-3.4%
Metal ore, coal and other cargo handling and ancillary services	480,944	8.6%	438,830	8.4%	9.6%
Liquid bulk handling and ancillary services	1,855,833	33.3%	1,259,316	24.2%	47.4%
Logistics and port value-added services	1,327,710	23.8%	1,423,051	27.4%	-6.7%
Port ancillary services	475,567	8.5%	548,101	10.5%	-13.2%
Financial services	493,873	8.9%	554,256	10.7%	-10.9%
Total results before inter-segment elimination	<u>5,575,858</u>	<u>100.0%</u>	<u>5,198,356</u>	<u>100.0%</u>	<u>7.3%</u>

Comparison of Each Segment Results



Breakdown of Each Segment Results for the Year Ended 31 December 2020



The details of each segment results are set out as below:

1 Container handling and ancillary services



MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	202,090	218,000	-15,910	-7.3%
Cost of sales	75,078	68,572	6,506	9.5%
Gross profit	127,012	149,428	-22,416	-15.0%
Profit of Consolidated Group Companies	82,436	92,063	-9,627	-10.5%
Joint ventures				
Revenue	4,071,337	3,958,014	113,323	2.9%
Cost of sales	1,633,231	1,559,449	73,782	4.7%
Investment income from joint ventures	859,495	882,739	-23,244	-2.6%
Segment results	941,931	974,802	-32,871	-3.4%

Note: Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QQCT and Qingwei Container, without taking into account the respective shareholding percentages held by the Company in those joint ventures.

In 2020, The Group insisted on land and sea coordination, continued to deepen the strategy for shipping company headquarters, established a container shipping route system of “both ocean route and sea route as well as linkage between trunk and branch lines”, and accelerated the construction of an international shipping hub center in Northeast Asia and a distribution center for living materials in Northern China. The main breakthroughs achieved were as follows:

- (1) The Group added 14 foreign trade shipping lines, including 7 lines connected to the OBOR area such as Southeast Asia, Middle East and Europe, and comprehensively expanded the market layout along the OBOR area; focused on collaborating with shipping companies to arrange the express shipping of imported consumer goods, promoted the transformation of the Port of Qingdao into a comprehensive transportation port for production and living materials, and built a living material distribution center in Northern China; and
- (2) The Group continued to promote the construction and the function improvement of inland ports, and established an “end-to-end” integrated logistics service system in the hinterland market along the Yellow River Basin. The Group set up a sea-rail transportation network to radiate the whole country, with the Port of Qingdao as the axis. More than 30 cities accessed to the sea-rail intermodal train system and the sea-rail intermodal container volume of the Group reached 1.65 million TEUs, continuing to maintain the first place among all the coastal ports in China.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2020, the revenue of the container handling and ancillary services amounted to RMB202 million, representing a decrease of RMB16 million, or 7.3%, as compared to the same period in the prior year; the profit of Consolidated Group Companies amounted to RMB82 million, representing a decrease of RMB10 million, or 10.5%, as compared to the same period in the prior year, mainly due to the reduction of the charging standards for harbor dues on cargo and port facility security fees during the period from 1 March to 31 December 2020 in accordance with the national policies in response to the impact of the COVID-19 pandemic. The investment income from joint ventures amounted to RMB859 million, representing a decrease of RMB23 million, or 2.6%, as compared to the same period in the prior year, mainly because the earning expectation on the joint venture has changed in the prior year, resulting in the recognition of deferred tax assets and the decrease of income tax expenses so the income tax expenses of the joint venture during the year increased as compared to the same period in the prior year, and the investment income decreased. The segment results amounted to RMB942 million, representing a decrease of RMB33 million, or 3.4%, as compared to the same period in the prior year.

The financial information of the major joint venture QQCT in this business segment was summarized as follows:

Unit: RMB'000

Item	QQCT	
	2020	2019
Revenue	3,873,664	3,775,984
Cost of sales	1,510,462	1,454,019
Investment income	91,152	106,556
Total profit	2,213,356	2,203,583
Income tax expenses	528,474	466,577
Net profit attributable to shareholders of the joint venture	1,676,415	1,719,717
Shareholding percentage held by the Company	51%	51%
Investment income of the Group	<u>839,789</u>	<u>861,706</u>

2 Metal ore, coal and other cargo handling and ancillary services



Unit: RMB'000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	3,284,941	2,711,414	573,527	21.2%
Cost of sales	2,620,744	2,105,441	515,303	24.5%
Gross profit	664,197	605,973	58,224	9.6%
Profit of Consolidated Group Companies	457,903	392,970	64,933	16.5%
Joint ventures				
Revenue	1,751,437	1,736,740	14,697	0.8%
Cost of sales	1,454,878	1,337,831	117,047	8.7%
Investment income from joint ventures	23,041	45,860	-22,819	-49.8%
Segment results	480,944	438,830	42,114	9.6%

Note: Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QDOT, West United and Huaneng Qingdao without taking into account of the respective shareholding percentages held by the Company in those joint ventures.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group drove marketing innovation, expanded its ore mixing and international transshipment businesses, deepened strategic cooperation with key customers, extended its whole-process logistic and value-added services, and proactively expanded the new hinterland markets. The main breakthroughs achieved were as follows:

- (1) The Group continued to deepen cooperation with Vale of Brazil and other mines and help customers increase the market share of Brazilian Blend Fines (“BRBF”) products. The cargo source volume of BRBF arriving at ports of the Group continued to take the lead among national ports;
- (2) The Group continued to expand the Japanese and South Korean markets, and international transshipment business volume of iron ore increased by 87% as compared to the same period in the prior year by strengthening cooperation with mines as well as the Japanese and South Korean traders; and
- (3) The Group deepened the “port + trader + steel mill” marketing strategy, and achieved leapfrog growth in key trader customers. The volume of trade ore arriving at ports increased by 20% as compared to the same period in the prior year.

For the year ended 31 December 2020, the revenue of metal ore, coal and other cargo handling and ancillary services amounted to RMB3,285 million, representing an increase of RMB574 million, or 21.2%, as compared to the same period in the prior year; the cost of sales amounted to RMB2,621 million, representing an increase of RMB515 million, or 24.5%, as compared to the same period in the prior year, mainly due to the increase in revenue and cost of sales resulting from the transportation business of whole process logistics. The profit of Consolidated Group Companies amounted to RMB458 million, representing an increase of RMB65 million, or 16.5%, as compared to the same period in the prior year, mainly due to the reduction in labor costs caused by the preferential policy of social insurance fee reduction and exemption during the period from 1 February to 31 December 2020 in accordance with the national policies in response to the impact of the COVID-19 pandemic. The investment income from joint ventures amounted to RMB23 million, representing a decrease of RMB23 million, or 49.8%, as compared to the same period in the prior year, mainly due to the joint ventures’ increase in railway transport volume and corresponding operating costs responding to the impact of the change of transportation mode “from highway to railway”, and the joint ventures’ increase in financial expense. The segment results amounted to RMB481 million, representing an increase of RMB42 million, or 9.6%, as compared to the same period in the prior year.

3 Liquid bulk handling and ancillary services



Unit: RMB'000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,234,777	1,427,222	807,555	56.6%
Cost of sales	519,506	386,720	132,786	34.3%
Gross profit	1,715,271	1,040,502	674,769	64.9%
Profit of Consolidated Group Companies	1,513,274	860,365	652,909	75.9%
Joint ventures				
Revenue	1,732,966	1,810,216	-77,250	-4.3%
Cost of sales	738,911	722,659	16,252	2.2%
Investment income from joint ventures	342,559	398,951	-56,392	-14.1%
Segment results	1,855,833	1,259,316	596,517	47.4%

Note: Amounts of revenue and cost of sales of the joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as Qingdao Shihua and Haiwan Liquid Chemical without taking into account the shareholding percentage held by the Company in those joint ventures.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group seized the multiple opportunities of policies such as positive interplay between domestic circulation and international circulation, Shandong Free Trade Zone, Shanghai Cooperation Demonstration Zone and the International Maritime Organization's low-sulfur new policy in 2020, and made innovation the main driving force to accelerate the conversion of policy benefits into operating performance. The main breakthroughs achieved were as follows:

- (1) Dongjiakou Port – Weifang – Central and Northern Shandong Oil Pipeline (Phase III) and ancillary storage tanks invested and constructed by the Group have been put into operation in succession, with the pipeline network covering refineries in Dongying, Binzhou, Weifang and other regions, effectively enhancing our competitiveness;
- (2) The Group worked with international and domestic traders, pioneered the businesses of blending and mixing of domestic bonded crude oil, successfully launched the international transfer and re-transport export business of bonded crude oil, and open the Dongjiakou crude oil futures delivery warehouse, further improving our functions; and
- (3) The Group successfully achieved breakthroughs in businesses such as oil supply at outer anchorages and domestic low-sulfur oil supply for vessels. The volume of vessel oil supply for the year 2020 exceeded 3 million tons, representing an increase of 85% as compared to the same period in the prior year.

For the year ended 31 December 2020, the revenue of liquid bulk handling and ancillary services amounted to RMB2,235 million, representing an increase of RMB808 million, or 56.6%, as compared to the same period in the prior year; the profit of Consolidated Group Companies amounted to RMB1,513 million, representing an increase of RMB653 million, or 75.9%, as compared to the same period in the prior year, mainly benefiting from the increase in the liquid bulk pipeline transportation volume and ancillary tank storage volume of Consolidated Group Companies. The investment income from joint ventures amounted to RMB343 million, representing a decrease of RMB56 million, or 14.1%, as compared to the same period in the prior year, mainly due to the reduction of the charging standards for harbor dues on cargo and port facility security fees during the period from 1 March to 31 December 2020 in accordance with the national policies in response to the impact of the COVID-19 pandemic, and the proportion of high-rate business decreased as compared to the same period in the prior year. The segment results amounted to RMB1,856 million, representing an increase of RMB597 million, or 47.4%, as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial information of the major subordinate companies in this business segment was summarized as follows:

Unit: RMB'000

Item	Qingdao Shihua		Mercuria Oil Terminal		Shandong Ganglianhua	
	2020	2019	2020	2019	2020	2019
Revenue	1,567,979	1,633,559	503,813	401,034	1,579,888	910,221
Cost of sales	583,713	564,150	279,081	192,847	350,480	294,190
Net profit	684,561	782,185	117,992	102,678	831,892	366,201
Shareholding percentage held by the Company	50%	50%	71%	71%	51%	51%
Investment income of the Group	342,281	391,093	—	—	—	—

4 Logistics and port value-added services

Unit: RMB'000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	4,890,042	4,916,328	-26,286	-0.5%
Cost of sales	3,401,821	3,437,512	-35,691	-1.0%
Gross profit	1,488,221	1,478,816	9,405	0.6%
Profit of Consolidated Group Companies	1,258,830	1,344,746	-85,916	-6.4%
Joint ventures and associates				
Revenue	1,813,531	1,059,981	753,550	71.1%
Cost of sales	1,505,389	844,056	661,333	78.4%
Investment income from joint ventures and associates	68,880	78,305	-9,425	-12.0%
Segment results	1,327,710	1,423,051	-95,341	-6.7%

Note: Amounts of revenue and cost of sales of joint ventures and associates represents the total amount of revenue and cost of sales in the financial information of joint ventures and associates the Company providing logistics and port value-added services, without taking into account of the respective shareholding percentages held by the Company in those joint ventures and associates.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the logistics and port value-added services of the Group continued to seek opportunities in crises, continuously expanded service functions, extended service scope, and improved the construction of the “full process, full chain and full area” integrated logistics service system. The main breakthroughs achieved were as follows:

- (1) The Group actively responded to the impact of the COVID-19 epidemic, implemented measures to ensure smooth flow, improve the environment, and strengthen services, with the proportion of online business processing reaching over 85%; and
- (2) The Group vigorously innovated business formats. For the warehousing business, the Group carried out businesses such as extended warehouse receipts and merchant factory warehouses, the future pulp and future No. 20 rubber inventory volume ranked first in the country, and the Group won the title of “National Excellent Delivery Warehouse of the Year” awarded by the Shanghai Futures Exchange once again; for the cold chain business, the Group built the first imported cold chain centralized supervision warehouse in Shandong Province, and first initiated Southeast Asia intermediary trade business with Vietnam, Malaysia, etc.; for the pulp business, the Group created an integrated operation of full industry chain, further strengthening the advantage of the port logistics brand.

For the year ended 31 December 2020, the revenue of logistics and port value-added services business amounted to RMB4,890 million, basically the same as compared to the same period in the prior year. The profit of Consolidated Group Companies amounted to RMB1,259 million, representing a decrease of RMB86 million, or 6.4%, as compared to the same period in the prior year, mainly due to the reduction and exemption of warehouse and yard usage fee for customers during the COVID-19 pandemic, and the decrease in government subsidies received during the year as compared to the same period in the prior year. The revenue and cost of sales of joint ventures and associates increased by 71.1% and 78.4%, respectively as compared to the same period in the prior year, mainly due to the newly-added associates of the Group in the second half of 2019. The segment results amounted to RMB1,328 million, representing a decrease of RMB95 million, or 6.7%, as compared to the same period in the prior year.

5 Port ancillary services

Unit: RMB' 000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,603,660	2,883,027	-279,367	-9.7%
Cost of sales	1,870,100	2,179,434	-309,334	-14.2%
Gross profit	733,560	703,593	29,967	4.3%
Profit of Consolidated Group				
Companies	474,855	547,196	-72,341	-13.2%
Joint venture				
Revenue	1,625	9,636	-8,011	-83.1%
Cost of sales	904	6,322	-5,418	-85.7%
Investment income from joint venture	712	905	-193	-21.3%
Segment results	<u>475,567</u>	<u>548,101</u>	<u>-72,534</u>	<u>-13.2%</u>

Note: Amounts of revenue and cost of sales of a joint venture represent the amount of those in the financial information of Ocean Bridge International, without taking into account the shareholding percentage held by the Company in the joint venture.

For the year ended 31 December 2020, the revenue of port ancillary services amounted to RMB2,604 million, representing a decrease of RMB279 million, or 9.7%, as compared to the same period in the prior year; the cost of sales amounted to RMB1,870 million, representing a decrease of RMB309 million, or 14.2%, as compared to the same period in the prior year, mainly due to the decrease in engineering construction for the year as compared with the same period in the prior year. The segment results amounted to RMB476 million, representing a decrease of RMB73 million, or 13.2%, as compared to the same period in the prior year, mainly due to the implementation of supplementary medical welfare policies resulting in an increase in labour costs.

6 Financial services

Unit: RMB'000

Item	2020	2019	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	327,957	252,873	75,084	29.7%
Cost of sales	72,696	58,217	14,479	24.9%
Gross profit	255,261	194,656	60,605	31.1%
Profit of Consolidated Group				
Companies	482,973	544,994	-62,021	-11.4%
An associate				
Revenue	787,025	619,009	168,016	27.1%
Cost of sales	357,794	306,155	51,639	16.9%
Investment income from an associate	10,900	9,262	1,638	17.7%
Segment results	<u>493,873</u>	<u>554,256</u>	<u>-60,383</u>	<u>-10.9%</u>

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial information of Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), without taking into account the shareholding percentage held by the Company in the associate.

For the year ended 31 December 2020, the revenue of financial services amounted to RMB328 million, representing an increase of RMB75 million, or 29.7%, as compared to the same period in the prior year, mainly due to the increase in the scale of loans. The profit of Consolidated Group Companies amounted to RMB483 million, representing a decrease of RMB62 million, or 11.4%, as compared to the same period in the prior year, mainly due to that firstly the Group disposed of a subsidiary, achieving investment income from equity transfer, secondly the decline in the scale of cash and yield rates of wealth management resulted in a decrease in wealth management investment income as compared to the same period in the prior year, and thirdly the provision for impairment increased resulting from the increase in the scale of loans provided by Qingdao Finance. The segment results amounted to RMB494 million, representing a decrease of RMB60 million, or 10.9%, as compared to the same period in the prior year.

To facilitate the understanding of shareholders and investors of the Company, set out below is a summary of the influence on certain items of the consolidated balance sheet and consolidated income statement of the Group caused by absorbing deposit and granting loans business of Qingdao Finance.

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Balance sheet	Nature	31 December 2020	31 December 2019
Other receivables	Granting short-term loans	1,442,375	571,738
Current portion of non-current assets	Current portion of long-term loans	59,128	227,597
Long-term receivables	Granting long-term loans	3,308,405	1,528,632
Other payables	Absorbing deposit	<u>-6,368,517</u>	<u>-4,764,271</u>

Unit: RMB'000

Income statement	Nature	2020	2019
Finance expenses	Interest income		
– interest income	– granting loans	323,839	111,074
Finance expenses	Interest expenses		
– interest expenses	– absorbing deposit	<u>-72,348</u>	<u>-57,702</u>

3. Financial Position Analysis

Unit: RMB'000

Item	As at 31 December 2020	As at 31 December 2019	Changed Amount	Changed Percentage
Accounts receivable	2,982,614	2,337,733	644,881	27.6%
Other current assets	3,100,048	6,214,206	-3,114,158	-50.1%
Long-term receivables	3,308,405	1,528,632	1,779,773	116.4%
Other payables	9,421,058	7,200,532	2,220,526	30.8%
Current portion of non-current liabilities	2,288,917	235,634	2,053,283	871.4%
Bonds payable	<u>—</u>	<u>2,116,900</u>	<u>-2,116,900</u>	<u>-100.0%</u>

As at 31 December 2020, the accounts receivable of the Group increased by RMB645 million, or 27.6%, as compared to the beginning of the year, mainly due to the increase in accounts receivable of the sales of port machinery, equipment and engineering construction and logistics service.

As at 31 December 2020, the other current assets of the Group decreased by RMB3,114 million, or 50.1%, as compared to the beginning of the year, mainly due to the decrease in the purchase of interbank deposit certificates and financial assets purchased under resale agreements conducted by Qingdao Finance.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the long-term receivables of the Group increased by RMB1,780 million, or 116.4%, as compared to the beginning of the year, mainly due to the increase in financial lease receivables provided by Qingdao Finance to member units.

As at 31 December 2020, other payables of the Group increased by RMB2,221 million, or 30.8%, as compared to the beginning of the year, mainly due to the increase in the balance of deposits absorbed and received by members of Qingdao Finance and payables of engineering and equipment.

As at 31 December 2020, the current portion of non-current liabilities of the Group increased by RMB2,053 million as compared to the beginning of the year, and the bonds payable decreased by RMB2,117 million as compared to the beginning of the year, mainly due to that the bonds payable of the Group will mature in 2021, so as that the principal and interest of the bonds payable were displayed as current portion of non-current liabilities.

4. Cash Flow Analysis

For the year ended 31 December 2020, the net cash outflow of the Group amounted to RMB2,078 million, among which:

- (1) The net cash inflow from operating activities amounted to RMB3,605 million, which was mainly derived from the operating profit of the Consolidated Group Companies;
- (2) The net cash outflow from investing activities amounted to RMB1,066 million, which mainly comprised of the net inflow of RMB3,436 million arising from the recovery of financial investment products such as wealth management products and fixed term deposit, net inflow of RMB560 million arising from the interests of external loans and purchase of wealth management products, and net inflow of RMB966 arising from dividends from joint ventures; the net outflow of RMB2,303 million arising from the provision of loans and financial leasing to member units and lease of capital to other financial institutions, net outflow of RMB2,988 million arising from the purchase and construction of fixed assets and construction in progress, etc., net outflow of RMB582 million arising from external equity investment and acquisition of subsidiaries, and net outflow of RMB178 arising from the statutory deposit reserves; and
- (3) The net cash outflow from financing activities amounted to RMB416 million, which mainly comprised of the net inflow of RMB1,645 million arising from an increase of deposits absorbed by Qingdao Finance, and net inflow of RMB677 million arising from obtaining borrowings; the net outflow of RMB1,374 million arising from the distribution of dividends, net outflow of RMB1,307 million arising from the repayment of debts such as bank borrowings and financial leasing, and net outflow of RMB156 million arising from the payment of interests.

In order to facilitate the understanding of shareholders and investors of the Company, after eliminating the impact of Qingdao Finance as well as the Group's purchase of wealth management products and the recovery of fixed term deposits with an initial term over three months on the cash flow, the net cash outflow of the Group amounted to RMB522 million.

5. Liquidity and Financial Resources

As at 31 December 2020, the cash at bank and on hand of the Group amounted to RMB8,549 million and wealth management products amounted to RMB4,482 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB11,550 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing borrowings amounted to RMB2,392 million, among which, borrowings at fixed interest rates amounted to RMB2,335 million and borrowings at floating interest rates amounted to RMB57 million.

As at 31 December 2020, the gearing ratio of the Group was 7%. The details are set out in Note 15 to the financial statements. After eliminating the impact of Qingdao Finance, the amount of the Group's cash at bank and on hand exceeded its interest-bearing borrowings.

6. Capital Structure

As at 31 December 2020, the total equity of the Group amounted to RMB36,741 million, representing an increase of RMB3,143 million as compared to the beginning of the year, among which, the increase of equity interest attributable to the shareholders of the Company was RMB2,639 million, mainly due to the increase of RMB3,842 million from the operating profit, the increase of RMB106 million from the increase of supplemental retirement benefits actuarial gains, and the decrease of RMB1,300 million from the distribution of dividends to shareholders of the Company; the equity interest of minority shareholders increased by RMB504 million, mainly due to the increase of RMB111 million from the investments by minority shareholders, the increase of RMB578 million from operating profits and comprehensive incomes, and the decrease of RMB184 million from dividends distributed to minority shareholders.

As at 31 December 2020, the Company had 6,491,100,000 issued shares, comprising of 5,392,075,000 A shares and 1,099,025,000 H shares. The total market capitalization and H share market capitalization of the Company was approximately RMB39,102 million and HKD5,264 million, respectively, which are calculated based on the closing price of RMB6.43 per share on the Shanghai Stock Exchange and the closing price of HKD4.79 per share on the Hong Kong Stock Exchange as at 31 December 2020.

7. Interest Rate and Exchange Rate Risks

As at 31 December 2020, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB6,708 million, RMB1,547 million, RMB6,276 million and RMB57 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

The Group's business activities are mainly conducted in the PRC and settled in RMB. As a result, changes in exchange rates do not have material effect on the Group.

The Group will continue to closely monitor risks in interest and exchange rate. The Group did not enter into any hedging arrangements with respect to interest rate and exchange rate risks in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

8. Financial Indicators

Indicators	2020	2019	Change
Return on total assets	8.04%	8.14%	Decreased by 0.10 percentage point
Weighted average return on net assets	12.17%	12.94%	Decreased by 0.77 percentage point
Interest coverage ratio	27.49	23.94	Increased by 3.55 times
Current ratio	1.28	1.81	Decreased by 0.53
Turnover ratio of accounts receivable	4.63	5.17	Decreased by 0.54
Turnover days of accounts receivable	79 days	71 days	Increased by 8 days

For the year ended 31 December 2020, the weighted average return on net assets was 12.17%, representing a decrease of 0.77 percentage point as compared to the same period in the prior year, mainly due to the higher increase in average net assets during the current period than that in profits. The interest coverage ratio was 27.49 times, representing an increase of 3.55 times as compared to the same period in the prior year, mainly due to the decreased interest expenses and the increased profit before interest and taxes of this period as compared to the same period in the prior year resulting from the repayment of bonds payable of RMB1,384 million in the same period in the prior year. The current ratio was 1.28, representing a decrease of 0.53 as compared to the same period in the prior year, mainly due to that the Company's bonds payable will mature in the first half of 2021, resulting in an increase of RMB2,174 million in the current portion of non-current liabilities. The accounts receivable turnover days were 79 days, representing an increase of 8 days compared to the same period in the prior year, mainly due to the increase in accounts receivable resulting from the longer collection period of port machinery and equipment sales and engineering construction business for the year.

9. Significant Capital Investment

For the year ended 31 December 2020, the Group had significant capital investment of RMB3,015 million, mainly consisting of the investments in the projects such as the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and ancillary tanks, Dongjiakou port area crude oil terminal phase II, and Dongjiakou port area crude oil commercial reserve tanks, as well as the acquisition of land use rights in Dongjiakou port area.

10. Details of The Material Entrusted Wealth Management

For the year ended 31 December 2020, details of the material entrusted wealth management of the Group are set out as below:

Unit: RMB'000

Entrustee	Product type	Balance	Start date	Expiry date	Expected annualized return rate	Source of funding
Bank of Communications	Structured deposit	500,000	2020/2/7	2020/12/30	3.80%	proceeds
Bank of Qingdao	Structured deposit	600,000	2020/4/21	2020/12/25	4.02%	self-owned funds
Agricultural Bank of China	Structured deposit	400,000	2020/4/28	2020/12/29	4.00%	self-owned funds
Bank of Communications	Structured deposit	1,200,000	2020/1/21	2020/3/20	3.90%	self-owned funds
Agricultural Bank of China	Structured deposit	500,000	2020/4/28	2020/6/23	3.99%	self-owned funds
Hengfeng Bank	Structured deposit	500,000	2020/4/24	2020/6/29	3.90%	self-owned funds
Hengfeng Bank	Structured deposit	500,000	2020/7/3	2020/10/9	3.90%	self-owned funds
Industrial and Commercial Bank of China	Structured deposit	800,000	2020/1/21	2020/6/29	4.01%	self-owned funds

Note: The above listed is the entrusted wealth management with a single investment amount of more than RMB200 million.

11. Significant Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates

On 10 June 2020, the Company and Qingdao Port (Group) Engineering Co., Ltd. (青島港(集團)港務工程有限公司), a wholly-owned subsidiary of the Company, entered into Equity Transfer Agreements with Shandong Port Financial Holdings Limited (山東港口金融控股有限公司), a subsidiary of QDP, the controlling shareholder of the Company, transferring 90% and 10% of the equity interests of Qingdao Yongli Company Agency Co., Ltd. (青島永利保險代理有限公司) to Shandong Port Financial Holdings Limited, respectively, for which, the considerations are RMB54,475,830 and RMB6,052,870, respectively. As of 31 December 2020, the Company and Qingdao Port (Group) Engineering Co., Ltd. have received the above equity transfer payment. For details, please refer to the Company's announcement dated 10 June 2020.

Save as disclosed above, during the year ended 31 December 2020, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

12. Mortgages or Pledges of Assets

As at 31 December 2020, the Group had no asset mortgages or pledges.

13. Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

14. Employees

As at 31 December 2020, the Company engaged 4,419 employees, and the Company and its principal subsidiaries engaged 8,981 employees in total. The employees' remunerations of the Group include basic salaries and performance incentives. The growth of employees' remunerations is determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the increase of production rate. Meanwhile, the Group's remuneration policy is reviewed on a regular basis as well. Adhering to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances and enterprise annuity as required by the relevant regulations of the PRC to provide extra welfare scheme to its employees.

15. Description of Other Business Operations

As Dagang port area is planned to be transformed and upgraded into an international home port for cruise liners, the business of Dagang port area will be gradually relocated to Dongjiakou port area and Qianwan port area. In March 2020, Qingdao international home port for cruise liners started construction and the construction was gradually carried on as planned. As of 31 December 2020, the construction of international home port for cruise liners had no effect on the main business of Dagang port area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao oil port area and operations of certain clients around Huangdao oil port area to Dongjiakou port area. As at 31 December 2020, the Group did not receive any relocation plan or relevant notice, and did not obtain any information in relation to such relocation of clients and businesses to Dongjiakou port area, hence the operation of Huangdao oil port area was not affected.

16. Outlook for 2021

During the "14th Five-Year Plan" period, it is expected that the import and export demand of traditional bulk energy and raw material will gradually stabilize, and the import and export demand of container will maintain a steady growth. In the future, the bulk cargo transportation market in the hinterland will be dominated by inventory adjustments, with relatively limited increments. As the heavy chemical industry shifts to coastal and port areas, these areas will become major growth points of the Group in the future.

In 2021, the international situation is complex and variable, but the basic trend of stable and improving domestic economy remains unchanged. As the COVID-19 vaccine is gradually put into use, the impact of the epidemic will return to a controllable range with great probability. With the gradual recovery of domestic and foreign economies, the domestic manufacturing orders are supposed to continuously recover, driving the import and export demand for container gradually return to normal, and the container throughput of the Group will achieve a recovery growth. The domestic and foreign demand for steel industry in China seems good, but demand for steel from infrastructure and real estate markets will be weakened, the substitution effect of scrap steel on iron ore will be further revealed, and the current high ore prices will restrain the demand for ore import to a certain extent, resulting in a stable expectation for iron ore import. The domestic demand for crude oil rebounds, the international crude oil supply tends to be loose and the domestic demand for refined oil grows steadily, resulting in a steady growth expectation for crude oil import.

The Group will aim at accelerating the construction of an international shipping hub in Northeast Asia, continue to deepen the reformation, accelerate the process of transformation and upgrading, prioritize performance, expand the space of development, improve the management efficiency comprehensively, and create greater value for shareholders and the society.

Firstly, the Group will continuously improve its operating performance. The Group will actively respond to new challenges and development opportunities and actively integrate into the new development pattern. The Group will focus on the OBOR, seize the opportunity brought by the Regional Comprehensive Economic Partnership (RCEP), build international container transshipment channels, encrypt international lines, and build a consumer goods distribution center in Northern China. The Group will consolidate existing hinterland customers, connect traders and mines, and fully expand ore value-added services. The Group will make full use of the capacity advantages of newly commissioned terminals, storage tanks and oil pipelines to strengthen market expansion. The Group will expand the business scale of crude oil blending, transit, futures delivery, ship fuel supply, etc., promote the implementation of new businesses such as container international transit, ore grinding, and customized refined ore mixing, and comprehensively promote business innovation and performance.

Secondly, the Group will continuously enhance development potential. The Group will fully promote the construction of container, dry bulk, liquid bulk, grain terminals and tank areas in Dongjiakou port area, focusing on the main business and expanding production capacity. The Group will promote the application of advanced technologies such as 5G, Beidou, blockchain, automated driving, and remote control, complete the construction of the world's first demonstration section of the intelligent air-track collection and distribution system, improve the efficiency of container business distribution, promote the transformation of scientific and technological achievements, and participate in the establishment of an international standard system for smart ports, comprehensively enhancing the leading advantages in the smart and green port industry.

Thirdly, the Group will continuously promote management efficiency. The Group will focus on intrinsic safety, establish a safety responsibilities list for all employees to create a safe port. The Group will improve the governance system, construct the management system of performance, asset and excellence quality, strengthen the management of securities affairs, and create a benchmark in the capital market. The Group will innovate human-based management, expand employee career development channels, optimize remuneration system, do good work for employees, and realize joint contribution and shared benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

III. CHANGES AND TERMINATION OF USE OF PROCEEDS FOR INVESTMENT PROJECTS OF A SHARE OFFERING

The Company completed its initial public offering of RMB denominated ordinary shares (A shares) of 454,376,000 shares with a nominal value RMB1.00 per share and was listed on the Shanghai Stock Exchange on 21 January 2019, with the amount of net proceeds of approximately RMB1,978.93 million.

Details of the use of proceeds were as follows:

Unit: RMB0'000	
Investment Projects of Proceeds	Amount of Net Proceeds
Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project	—
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	18,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	30,210
Supplementing working capital	29,683
Total	197,893

According to the needs of business development of the Group, upon the consideration and approval by the Board on 26 March 2020 and by the annual general meeting of the Company held on 10 June 2020, the Company resolved to terminate Dongjiakou Integrated Logistics Stacking Yard Phase I Project and put the unused proceeds of RMB180 million into Port Area Equipment Procurement Project and to remove Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project from one of the investment projects for use of proceeds, continuing to build this project by self-raised funds or by means of joint ventures.

After the aforesaid change and termination of investment projects for use of proceeds from A share offering have completed, the details of the use of proceeds were as follows:

Unit: RMB0'000	
Investment Projects of Proceeds	Amount of Net Proceeds
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	48,210
Supplementing working capital	29,683
Total	197,893

For further details, please refer to the Company's announcements dated 26 March 2020 and 10 June 2020, respectively and the circular dated 26 May 2020.

IV. USE OF PROCEEDS

The net proceeds from the New H Shares Issue of the Company in 2017 were approximately HKD1,035 million, equivalent to approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2019, approximately HKD1,034 million was carried over to this year, which is proposed to be used as funds for the overseas terminal investment and acquisition of the Company and working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. For the year ended 31 December 2020, approximately HKD460.45 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used to pay for the purchase of shares of COSCO SHIPPING Ports (Abu Dhabi) Co., Ltd.. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of the Domestic Shares to Shanghai China Shipping Terminal were approximately RMB2,600 million. As at 31 December 2019, approximately RMB171 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou port area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets at the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the year ended 31 December 2020, approximately RMB68 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the information facility construction of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets at the Port of Qingdao. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the initial public offering of A shares of the Company were approximately RMB1,979 million, which will be proposed to be used towards the construction of berths and stacking yards in the Dongjiakou port area, intelligent upgrade of port area, equipment procurement, and supplementing working capital in the way as disclosed in the prospectus for the initial public offering of A shares. As at 31 December 2019, approximately RMB1.22 billion was carried forward to this year. Taking into account the actual business development and operational needs of the Group, the Company has changed the use of the net proceeds and intends to use them for storage yards in the Dongjiakou port area, the intelligent upgrade of the port area, equipment purchase and supplementary working capital projects. For details, please refer to the Company's announcements dated 26 March 2020 and 10 June 2020 and circular dated 26 May 2020. For the year ended 31 December 2020, approximately RMB93 million had been utilized towards the investment projects in the way as disclosed in the Company's initial public offering of A shares prospectus and the Company's announcements dated 26 March 2020, 10 June 2020 and the circular dated 26 May 2020, which was mainly used for the projects of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou port area, equipment procurement and intelligent port area upgrading project. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

V. PROPOSED DISTRIBUTION OF FINAL DIVIDEND, WITHHOLDING OF INCOME TAX AND CLOSURE OF REGISTER

The Board has proposed the distribution of a final dividend of RMB262.2 (tax inclusive) per thousand shares, totaling approximately RMB1,701,966.4 thousand (tax inclusive) which represents approximately 52% of Distributable Profits attributable to shareholders of the Company for the year ended 31 December 2020. Such distribution plan will be implemented on 26 August 2021 subject to approval at the 2020 AGM.

For non-resident enterprise shareholders holding H shares of the Company (i.e. shareholders holding H shares of the Company under the names other than individuals, including, but not limited to, shareholders of H shares registered in the name of HKSCC Nominees Limited, or other nominees, trustees, or other organizations or groups), the Company shall withhold the corporate income tax for the final dividend at the tax rate of 10% on their behalf in accordance with the Corporate Income Tax Law of the PRC and other relevant tax laws, regulations and tax treaties.

For individual shareholders holding H shares of the Company, the Company shall withhold and pay the individual income tax for the final dividends on their behalf in accordance with the Individual Income Tax Law of the PRC, the Notice of the State Administration of Taxation on the Collection and Administration of Individual Income Tax after the Abolition of Document No. 045 [1993] (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and other relevant tax laws, regulations and tax treaties.

In order to determine the eligibility of being entitled to the proposed final dividend for H shares, the H share register of the Company will be closed from Monday, 5 July 2021 to Monday, 12 July 2021 (both days inclusive), during which no H share transfer will be registered. The H shareholders whose names appear on the register of members of the Company on Monday, 12 July 2021 are entitled to the proposed final dividend. Holders of the Company's H shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. Friday, 2 July 2021 for registration.

VI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability.

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules during the year ended 31 December 2020.

VII. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2020.

VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2020, the Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

IX. AUDIT COMMITTEE

The Audit Committee of the Board has reviewed, with management of the Company, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2020.

X. AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The Company amended the Articles of Association at the 2019 annual general meeting, the first A shareholders' class meeting of 2020, and the first H shareholders' class meeting of 2020 held on 10 June 2020. The amended version takes effect after approval at the aforementioned shareholders' meetings. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

XI. CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the 2020 AGM, the H share register of the Company will be closed from Saturday, 29 May 2021 to Monday, 28 June 2021 (both days inclusive), during which no H share transfer will be registered. The shareholders whose names appear on the register of H share members of the Company on Saturday, 29 May 2021 are entitled to attend and vote at the 2020 AGM. Holders of the Company's H shares who wish to attend the 2020 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 28 May 2021 for registration.

XII. MATERIAL LITIGATIONS

For the year ended 31 December 2020, the Group was not involved in any material litigations or arbitrations.

XIII. SUBSEQUENT EVENTS

Save as disclosed in this annual report, after 31 December 2020, the Group did not have any material subsequent events.

XIV. CORPORATE SOCIAL RESPONSIBILITY

1. Environment Protection

The Group values social responsibility, sticks to green development and is fully committed to green port construction. The Group actively adopted measures to prevent pollution of the atmosphere and water, which had improved the level of environmental protection management, and carry out technical applications such as photovoltaic power generation, wind-solar hybridization, introduce hydrogen energy and electric trucks, implement hydrogen energy conversion for rail cranes, and promote the “oil-to-electricity” transformation of operating machinery in the port, actively promote the construction and use of shore power. In 2020, the Company completed the construction of 1 set of container terminal shore power, built 37 sets of charging piles, and promoted the application of frequency conversion technology, hybrid power, potential energy feedback and other technologies. QQCTU, a joint venture of the Group, obtained the green port 4-star rating.

The Group made efforts to build a green and ecology-friendly environment. In 2020, 1,336 arbors, around 0.2 million bushes, 33,000 square meters of lawn, and more than 0.7 million seasonal flowers were newly planted in the four principal port areas of the Group.

The Group continued to enhance health and epidemic prevention management. In 2020, the Group responded to the relevant requirements of Qingdao to build the sanitary city by carrying out the action of environment inspection and sanitation promotion, and the sanitary condition of the port areas was further improved. The Group completed an accumulated pesticide application of 36.36 million square meters for vector destruction in its port areas and the health and the epidemic prevention work was highly recognized by competent government authorities.

2. Employee Care

The Group highly values the cultivation and development of talents and works hard to implement a talent cultivation plan. In 2020, 300 employees in the Group obtained various professional and technical titles in high, middle and junior levels, 209 employees were qualified as senior workers, technicians and senior technicians, the structure of education, knowledge and ability in key and significant posts showed positive changes, providing a solid talent foundation for the development of the Group.

The Group focuses on training the learning staff and building the learning organization. In 2020, under the premise of epidemic prevention and control, 20 sessions of training on 10 topics including employee epidemic prevention and control knowledge training and new middle-level cadres training were organized. Through the combination of offline key training courses and online mobile learning training, the smooth development of employee training was guaranteed. The employee training coverage rate reaches 100%, and the average training time for employees is more than 32 hours per year.

The Group cares about the physical and mental health of its employees and has formulated scientific, comprehensive and optimized medical examination standards. The Group provides health checks to employees annually and follows up on their treatment.

The Group attaches great importance to the management of employee safety. The Company implemented safety training for all employees and safety rotation training for key positions to improve employees' safety literacy. The Group carried out the upgrading and improvement of technical prevention facilities for key parts such as oil product loading lines, parking lots, liquid ammonia cold storage, high-rise buildings, etc. to create an intrinsically safe environment. Increased on-site inspections and hidden danger investigations have also been carried out to ensure the safety of operations in new business areas. The safety standards were implemented and many subsidiaries of the Group were rated as "City-level Benchmarking Enterprise" for safety management.

The Group strives to provide a platform for employees to grow their talents and builds a channel for their personal development. The Company insists that as long as employees are willing to learn and work, all of them can become talents. The Company insists on respecting people, training people, shaping people, using advanced culture to gather people and using flexible mechanisms to motivate people. The Company creates good conditions and builds the platform for employees to demonstrate their talents, promotes the all-round development of employees, and achieves a harmonious and win-win situation for enterprises and employees.

3. Community Care

The Group actively participated in volunteering activities to help the elderly, the poor and the youths. The Group organized its employees to donate blood on a regular basis. The Group also organized employee volunteers to go to the community to send love to couriers, delivery workers, sanitation workers, and truck drivers; go deep into the community, visit elderly people living alone, clean up, and create a clean and tidy living environment for residents.

In 2020, the Group donated RMB1 million to fight against COVID-19 epidemic; RMB192,000 to build "Hope House" that cares for children in Qingdao and Heze; air conditioners worth RMB270,000 to Guangxi Zhuang Autonomous Region as poverty alleviation materials; RMB90,000 to assist the charity branch of Qingdao Women Entrepreneurs Association to create the "Qingdao Women Entrepreneurs Association Dream Fund".

Please refer to the "2020 Sustainability Report" published by the Company for further details on our corporate social responsibility.

XV. RISK ALERT

1. Risk in Relation to the Macro Economy Volatility

Port industry is the basic industry of the national economy, the development of which has high correlation with the macro-economic of China and will be greatly influenced by the volatility of economic cycle. The volatility of world trade will influence the import and export business in various countries, which in turn will impact the operating situation of ports.

Recently, the world economy is still in a complicated and severe situation, the competition between major powers has intensified, and its scope continues to expand. At the same time, geopolitics are getting tense. The unexpected impact caused by the "black swan incident" may increase the risk of global market volatility. If the economy development in China as well as the international and domestic trade volume is impacted due to the relatively long recovery cycle of world economy and the structural adjustment of China's economy, the production activities and operating performance of the Group may be affected.

2. Risk in Relation to the Dependence on the Economic Development of the Hinterland

The Group's main economic hinterlands include Shandong, Jiangsu, Hebei, Shanxi and Henan, with its extending hinterlands including Shaanxi, Ningxia, Gansu and Xinjiang. The economic development as well as the international and domestic trade demand in these regions are the main factors affecting the Group's development. If the economic growth in these regions slows down or declines, it would cause certain negative impacts to the Group's operation.

3. Risk in Relation to the Adjustment of Port Rate

The Group's main revenue comes from the cargo loading and discharging and ancillary services at port, the charging standard of which is in compliance with the regulations in Port Charging Calculation Methods formulated by governmental authorities. If the national port charging rules or systems are being adjusted or changed by governmental authorities, the Group's operating results may be influenced.

The Company will take full advantage of our comprehensive services and diversified cargo to proactively exploit diversified space for development. The Company will continue to strengthen the construction of the transportation system and inland network, providing its customers with an "one-stop" integrated logistics service to consolidate and expand our hinterlands of cargo resource. The Company will strengthen internal management in an all-round way to ensure our stable and sound development.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF THE COMPANY



Mr. JIA Funing (賈福寧), born in 1968, is a part-time master of Business Administration Technology Economics in Tianjin University (天津大學) and a senior engineer. He has joined the Company since June 2020. He currently serves as secretary to the Party Committee, chairman, executive Director, chairman of Strategy and Development Committee of the Board, a member of Nomination Committee of the Board, and authorized representative of the Company, and secretary to the Party Committee and chairman of QDP. Mr. JIA served as the deputy head of Shibei District Government of Qingdao City, the deputy director and a member of the Party Committee of Construction Committee of Qingdao City, the deputy director and a member of the Party Committee of Urban-Rural Construction Committee of Qingdao City, general deputy commander in chief of the headquarters, director of general office and secretary to the Party Group for Metro Engineering Construction of Qingdao City (青島市地鐵工程建設指揮部), the chairman of the board of directors and secretary to the Party Committee of Qingdao Metro Group Co., Ltd. (青島地鐵集團有限公司). Mr. JIA Funing has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises.



Mr. SU Jianguang (蘇建光), born in 1969, is a part-time engineering master of harbor coastal and offshoring engineering in Ocean University of China (中國海洋大學) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, since July 1987, and has joined the Company since November 2013. He currently serves as deputy secretary to the Party Committee, vice chairman, non-executive Director, a member of Strategy and Development Committee and a member of Remuneration Committee of the Board of the Company, the deputy secretary to Party Committee, a director and the general manager of QDP, the commander of Qingdao Port Construction Headquarters, the deputy director and a member of the Party Group of Qingdao International Cruise Port Service Administration (青島國際郵輪港區服務管理局), Mr. SU served as secretary to the Party Committee, the manager and the secretary to the discipline inspection committee of Port Engineering Co., Ltd. (港務工程有限公司) of QDP, secretary to the Party Committee and the manager of Gangjian Branch (港建分公司), a member of the Party Committee of QDP, the secretary to the Party Committee and the general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), the vice president (or the deputy general manager) of the Company. Mr. SU Jianguang has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. FENG Boming (馮波鳴), born in 1969, is a master in business administration of the University of Hong Kong. He has joined the Company since June 2020. He currently serves as non-executive Director, a member of Strategy and Development Committee of the Company, an executive Director, the chairman of the board of directors, the chairman of executive committee, the chairman of investment and strategic planning committee, a member of nomination committee, and a member of remuneration committee of the board of directors of COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange with stock code of 01199), an executive director of COSCO SHIPPING Holdings Co., Ltd. (“**COSCO SHIPPING Holdings**”, 中遠海運控股股份有限公司, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes of 01919 and 601919, respectively) and Orient Overseas (International) Limited (東方海外(國際)有限公司, a company listed on the Hong Kong Stock Exchange with stock code of 00316), and a non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司, a company listed on the Hong Kong Stock Exchange with stock code of 00517) and Piraeus Port Authority S.A. (比雷埃夫斯港務局有限公司, a company listed on the Athens Stock Exchange with stock code of PPA). He also serves as a director of COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), COSCO SHIPPING Investment Holdings Co., Limited (中遠海運投資控股有限公司) (Formerly known as COSCO SHIPPING Financial Holdings Co., Limited (中遠海運金融控股有限公司)) and Hainan Harbour & Shipping Holding Co., Ltd. (海南港航控股有限公司). Mr. Feng served as a manager of the commercial section of the ministry of trade protection of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司, now known as COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)), the general manager of COSCO Container Hong Kong Mercury Co., Ltd. (中遠集運香港MERCURY公司), the general manager of the management and administration department of COSCO Holdings (Hong Kong) Co., Ltd. (中遠控股(香港)有限公司), the general manager of COSCO International Freight (Wuhan) Co., Ltd. (武漢中遠國際貨運有限公司, now known as COSCO CONTAINER LINES (Wuhan) Co., Ltd. (武漢中遠海運集裝箱運輸有限公司)) and COSCO Logistics (Wuhan) Co., Ltd. (武漢中遠物流有限公司), the director of the strategic management implementation office of China Ocean Shipping Company Limited (中國遠洋運輸有限公司) and COSCO SHIPPING Holdings, a non-executive director of COSCO SHIPPING Holdings, the general manager of the strategic and corporate management department of China COSCO SHIPPING Corporation Limited (中國遠洋海運集團有限公司) and a non-executive director of COSCO SHIPPING Ports Limited, COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes of 02866 and 601866, respectively), COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes of 01138 and 600026, respectively), and a director of COSCO SHIPPING Bulk Co., Ltd. (中遠海運散貨運輸有限公司).



Mr. WANG Xinze (王新澤), born in 1963, is a part-time undergraduate of the Shandong Provincial Party School majoring in economic management and a senior economist. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in August 1983 and joined the Company in November 2013. He currently serves as a deputy secretary to the Party Committee, secretary of the Party Committee of Intra-Organizational Department, executive Director, general manager, and a member of Strategy and Development Committee of the Board of the Company, a deputy secretary to the Party Committee and a director of QDP. He served as deputy director of the labour department of the Qingdao Port Authority, deputy director and director of the human resources department, deputy director of the general office, director of the organization department of the Party Committee, a member of the Party Committee of Intra-Organizational Department of QDP, director of the general management department, director of the human resources department, director of the organization department of the Party Committee, a member of the Party Committee of Intra-Organizational Department and a vice president of the Company. Mr. WANG Xinze has more than 30 years of experience in the port industry and has extensive experience in management for large-scale port enterprises.



Mr. WANG Jun (王軍), born in 1965, a part-time undergraduate of the Central Party School (中共中央黨校), an engineer. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in December 1987 and joined the Company in November 2013. He currently serves as a member of Party Committee, a non-executive Director, a member of Strategy and Development Committee of the Board of the Company, a member of the Party Committee and the deputy general manager of QDP, and chairman of the board of directors of Qingdao Port Pilot Station Co., Ltd. (青島港引航站有限公司), vice chairman of Qingdao Shihua, the chairman of the board of directors to Shandong Port Lianhua, an executive director of Qingdao Port Oil Port, the chairman of the board of directors to Mercuria Oil Terminal, QQCT and QQCTN, a director of QQCTU, vice chairman of West United, the chairman of the board of directors of QDOT and Mercuria Logistics. He served as director of the business department and a member of the Party Committee of Intra-Organizational Department of the Company, the deputy secretary of the Party Committee and manager of Dongjiakou Branch, the general manager of Datang Port and Huaneng Qingdao, the secretary of the Party Committee, general manager and secretary to Discipline Inspection Committee of QQCTU, the secretary of the Party Committee and general manager of West United. Mr. WANG Jun has more than 30 years of experience in the port industry and has extensive experience in management for large-scale port enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Ms. WANG Fuling (王芙玲), born in 1974, a part-time engineering master of Nanjing University of Posts and Telecommunications (南京郵電大學) majoring in computer technology, she has joined the Company since April 2020. She currently serves as a member of the Party Committee, the chairman of the labor union, an employee representative Director, a member of Strategy and Development Committee of the Board, a member of Audit Committee of the Board of the Company, a member of the Party Committee and the chairman of the labor union of QDP. She served as a staff member in the inspection office and a deputy director of the decision supervision division of the inspection office of Qingdao Municipal Party Committee, a deputy director and an investigator of the intra-party network and government affairs department of the general office of Qingdao Municipal Party Committee, an investigator of the general duty office, director of the publicity and education division of the office of the secrecy commission, and director of the publicity and education division of administration bureau of secrets protection of Qingdao Municipal Party Committee, an assistant to the general manager of QDP. Ms. WANG Fuling has more than 20 years of leadership and management experience in state agencies.



Ms. LI Yan (李燕), born in 1957, graduated from Central Finance and Economics Institute (中央財政金融學院) (now known as Central University of Finance and Economics (中央財經大學)) with a bachelor degree in economics majoring in finance and a professor. She has joined the Company since May 2019. She currently serves as an independent non-executive Director of the Company, chairman of Audit Committee and a member of Remuneration Committee of the Board, a professor and doctoral tutor of the School of Finance and Taxation of Central University of Finance and Economics, director of the Government Budget Institute, a non-practicing member of the Chinese Institute of Certified Public Accountants, a member of Chinese Finance Association (中國財政學會), a director of China Finance and Taxation Law Society (中國法學會財稅法學研究會), an independent director of Beijing DHC Co., Ltd. (北京東華軟件股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002065), an independent director of Jiangxi Fushine Pharmaceutical Co., Ltd. (江西富祥藥業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300497), an independent director of Beijing Huali Chuangtong Technology Co., Ltd (北京華力創通科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300045), an independent supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively). She was an independent non-executive director of Tsingtao Brewery Company Limited, an independent director of China Film Co., Ltd. (中國電影股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600977), an independent director of Anhui Win-all Hitech Seed Co., Ltd. (安徽荃銀高科種業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300087).



Mr. JIANG Min (蔣敏), born in 1965, is a master of Civil and Commercial Law from Anhui University. He has joined the Company since May 2019. He currently serves as an independent non-executive Director, chairman of Nomination Committee and a member of Strategy and Development Committee of the Board of the Company, a founding partner of Tianhe Law Firm in Anhui province, an independent director of Shandong Pharmaceutical Glass Co., Ltd. (山東藥用玻璃股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600529), and an independent director of CSG Smart Science & Technology Co., Ltd. (科大智能技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300222). He was a deputy director of Anhui Economic Law Firm, an independent non-executive director of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively), and an independent director of Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300274).



Mr. LAI Kwok Ho (黎國浩), born in 1977, holds a bachelor of Business Administration degree in Professional Accounting from The Chinese University of Hong Kong. He has joined the Company since May 2019. He currently serves as an independent non-executive Director, chairman of the Remuneration Committee, a member of Audit Committee, and a member of Nomination Committee of the Board of the Company, chief financial officer and executive director of The 9 Limited (a company listed on NASDAQ, stock code: NCTY). He was an audit manager of Deloitte & Touche Tohmatsu. Mr. LAI Kwok Ho has the qualifications of the Chartered Certified Accountants in UK, the certified public accountant in Hong Kong, and American certified public accountant.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE SUPERVISORY COMMITTEE OF THE COMPANY



Mr. ZHANG Qingcai (張慶財), born in 1960, is a bachelor of Dalian Maritime Institute (大連海運學院) (now known as Dalian Maritime University (大連海事大學)) majoring in Engineering and a researcher of engineering technology application. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in September 1983, and has joined the Company since November 2013. He currently serves as the chairman of the Supervisory Committee of the Company, and the high-level expert of Shandong Port Group. He served as director of the general office department, director of the safety and technology department of QDP, secretary to the Party Committee, factory director and chief engineer of the Manufacturing Factory (港機廠), secretary to the Party Committee, a director and the general manager of QQCT, a director of QQCTN, a director of QQCTUA, the chairman of Qingwei Container, a member of the Party Committee and an executive deputy general manager of QDP, and a member of the Party Committee of the Company. Mr. ZHANG Qingcai has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Mr. WANG Yaping (王亞平), born in 1964, is a bachelor of Law from East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) and a first-grade lawyer. He has joined the Company since May 2014. He currently serves as an independent supervisor of the Company, an executive director and a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), a vice president of Shandong Lawyers Association (山東省律師協會), chief supervisor of Qingdao Lawyers Association (青島市律師協會), an arbitrator of Qingdao Arbitration Commission (青島市仲裁委員會), an independent supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively), an independent non-executive director of Prosper Construction Holdings Limited (瑞港建設控股有限公司) (a company listed on the Hong Kong Stock Exchange, with stock code: 06816). He served as an independent non-executive Director, chairman of Nomination Committee, chairman of Remuneration Committee, and a member of Strategy and Development Committee of the Board of the Company, and the president of Qingdao Lawyers Association (青島市律師協會), an independent director of Qingdao Tianneng Heavy Industry Co., Ltd (青島天能重工股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300569), the external director of Qingdao Conson Financial Holdings Co., Ltd (青島國信金融控股有限公司), an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd (青島百洋醫藥股份有限公司).



Mr. YANG Qiulin (楊秋林), born in 1966, is a master of science in Applied Accounting and Finance of Hong Kong Baptist University, a certified public accountant in China, an assets appraiser and the Excellent Certified Public Accountant in Shandong Province. He has joined the Company since September 2014. He currently serves as an independent supervisor of the Company, a deputy head of Shandong Branch of Da Hua Certified Public Accountants (大華會計師事務所) (special general partnership), an executive director of Qingdao Ruiyuan Chengde Management Consultation Limited Company, director of Qingdao Aviation Industry Investment Service Center Ltd. (青島航空產業投資服務中心有限公司) and Shandong Tai Peng Environmental Protection Materials Ltd (山東泰鵬環保材料股份有限公司). He served as an independent non-executive Director, a member of Audit Committee, a member of the Nomination Committee, and a member of the Remuneration Committee of the Board of the Company, deputy head of Shandong Dongfang Junhe Certified Public Accountants Co., Ltd. (山東東方君和會計師事務所), financial general manager of Shandong Zhongyuan Investment Group (山東中苑投資集團), deputy general manager of Shandong Reanda Dongxin Certified Public Accountants Co., Ltd. (山東利安達東信會計師事務所有限公司) and deputy general manager of Qingdao Branch of Reanda Certified Public Accountants LLP (利安達會計師事務所) (special general partnership). Mr. YANG Qiulin has extensive knowledge and practical experience in financial management and capital management.



Mr. LIU Shuiguo (劉水國), born in 1975, is a part-time master of transportation planning and management of Dalian Maritime University, and holds the qualification as a lawyer of the People's Republic of China. He is a professor. He has joined QDP since July 1998 and joined the Company since April 2017. He currently serves as an employee representative Supervisor and director of legal compliance department, a member of the Party Committee of Intra-Organizational Department and chairman (representative) of Labor Union of Intra-Organizational Department of the Company, and director of Shandong Port Lianhua. He served as a member of the Party Committee, assistant to the dean, director of educational administration office of Qingdao Harbour Vocational & Technical College (青島港灣職業技術學院), assistant to the director and deputy director of legal department of the Company, and vice chairman of Labor Union of Intra-Organizational Department of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. XIA Xiliang (夏希亮), born in 1980, is a bachelor of finance management of Central University (中央財經大學) of Finance and Economics, a senior accountant. He has joined QDP since August 2003 and joined the Company since November 2013. He currently serves as a Supervisor, director of the department of audit (previously known as supervision and audit department), a member of the Party Committee of Intra-Organizational Department of the Company, director of leading group office of inspection work of QDP, a supervisor of Qingdao Port Pilot Station Co., Ltd. (青島港引航站有限公司), a supervisor of QQCT, a supervisor of QQCTN, a supervisor of Qingdao Port Lianshun Shipping Co., Ltd. (青島港聯順船務有限公司), a supervisor of Shandong Port Lianhua, chairman of the supervisory committee of Qingdao Finance, and a supervisor of Qingdao Huanhai Bay Development and Construction Co., Ltd. (青島環海灣開發建設有限公司). He served as an assistant to the director and the deputy director of the supervision and audit department of the Company.



Ms. WANG Xiaoyan (王曉燕), born in 1977, graduated from Shandong Provincial Party School (山東省委黨校) with a part time bachelor degree majoring in Archive Secretary and is a political engineer. She has joined QDP since July 1997 and joined the Company since November 2013. She currently serves as an employee representative Supervisor, a deputy secretary to the Party Committee, secretary of the Disciplinary Committee, chairman of the Labor Union (Representative), supervisor of QQCTU, and supervisor of QQCTUA. She served as director of general office of the Labor Union, and deputy director of Female Worker Committee, a section chief and head of elder works of human resources department of the Company, manager of the general department of Dagang Branch, director of general office of the Labor Union, and deputy director of Female Worker Committee of QDP, and a member of the Party Committee and chairman of the Labor Union of QQCTN.

BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



Mr. WANG Xinze (王新澤), please refer to details of members of the board of the company.



Mr. ZHANG Jiandong (張建東), born in 1962, is a part-time bachelor of Economics and Management in the Central Party School (中共中央黨校). He is a senior economist. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in October 1989, and has joined the Company since November 2013. He currently serves as a deputy general manager of the Company, the chairman of the supervisory committee of Weihai Port Group Co., Ltd. and the chairman of the supervisory committee of Shandong Weihai Port Co., Ltd. He served as deputy director of the dispatching office of Qingdao Port Authority, director of business department of QDP, manager and secretary to the Party Committee of Qiangang Branch, director of the safety and technology department, and director of supervision and audit department, a member of the Party Committee of Intra-Organizational Department, a member of the Party Committee of the Company. Mr. ZHANG Jiandong has over 30 years of working experience in the port industry and has extensive experience in large-scale port enterprise management.



Mr. LIU Liang (劉良), born in 1965, is a part-time bachelor of marine engineering management of Dalian Maritime University. He is a senior economist. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in January 1987, and has joined the Company since November 2013. He currently serves as a deputy general manager of the Company. He served as deputy manager and a member the Party Committee of Tugboat Company of QDP, secretary to the Party Branch and director of Material and Equipment Bidding and Purchasing Center, secretary to the Party Committee and manager of Tugboat Branch, and a member of the Party Committee of the Company. Mr. LIU Liang has over 30 years of working experience in the port industry and has extensive experience in large-scale port enterprise management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. YANG Fengguang (楊風廣), born in 1964, is a part-time bachelor of Business Administration of Shandong Administration Institute. He is a senior political engineer. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in July 1985, and has joined the Company since December 2014. He currently serves as a deputy general manager of the Company. He served as deputy manager, manager, a member of the Party Committee and secretary to the Party Committee of several subsidiaries of QDP, secretary to the Party Committee, secretary to disciplinary committee and general manager of QDOT, secretary to the Party Committee and manager of Qiangang Branch and a member of the Party Committee of the Company. Mr. YANG Fengguang has over 30 years of working experience in the port industry and has extensive experience in large-scale port enterprise management.



Mr. YIN Jian (殷健), born in 1964, is a bachelor of Hydraulic in Mechanical Engineering department of Shanghai Jiao Tong University. He is a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in July 1987, and has joined the Company since November 2013. He currently serves as a deputy general manager of the Company, secretary to the Party Committee and a director of QQCTN, the vice chairman of the board and the general manager of Ocean Bridge International. He served as the deputy director to the safety and technology department of QDP, a member of the Party Committee and an assistant to the manager of the Logistics Branch of the Company, an assistant to the general manager of Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (青島前灣智能集裝箱碼頭有限公司), the secretary to the Party Committee and the general manager of QQCT, and the general manager and the chairman of the board of QQCTN. Mr. YIN Jian has over 30 years of working experience in the port industry and has extensive experience in large-scale port enterprise management as well as the experience in construction and operation of automated container terminals.



Mr. FAN Xiwei (樊西為), born in 1977, graduated from Shandong College of Finance (山東財政學院) (now known as Shandong University of Finance and Economics (山東財經大學)) with a bachelor degree in Finance. He is a senior accountant. He has joined the Company since January 2020. He currently serves as chief financial officer of the Company, and a director of QDP. He served as the manager of the financial audit department of Shandong Highway Logistics Group Co., Ltd. (山東高速物流集團有限公司), a director, chief financial officer and manager of the financial department of Shandong Highway Everbright Industrial Investment Fund Management Co., Ltd. (山東高速光控產業投資基金管理有限公司) and chief accountant of Shandong Bohai Bay Group Co., Ltd. (山東渤海灣港口集團有限公司). Mr. FAN Xiwei has more than 20 years of experience in financial management and has extensive experience in financial management of large-scale enterprises.



Mr. LIU Yongxia (劉永霞), born in 1976, is a bachelor in international general accounting of Qingdao University (青島大學), a senior accountant. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in July 1999, and has joined the Company since November 2013. He currently serves as the joint company secretary, the secretary to the board, the director of the financial management department (previously known as the asset and financial department), a member of the Party Committee of Intra-Organizational Department and authorised representative of the Company, a director of Qingdao Port Pilot Station Co., Ltd. (青島港引航站有限公司), and a director of Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司). He served as the assistant to the director, the deputy director of the financial department of QDP, the deputy director of the financial department of the Company, and the general manager of Qingdao Yongli Company Agency Co., Ltd. (青島永利保險代理有限公司). Mr. LIU Yongxia has more than 20 years of experience in financial management.



DIRECTORS' REPORT

The Board is pleased to present the Company's annual report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group operates the following businesses through its branches, subsidiaries, joint ventures and associates: (i) container handling and ancillary services; (ii) metal ore, coal and other cargo handling and ancillary services; (iii) liquid bulk handling and ancillary services; (iv) logistics and port value-added services; (v) port ancillary services; and (vi) financial services.

More details regarding the subsidiaries, joint ventures and associates of the Company are set out in Note 6 to the financial statements. The performance of the Group's business segments for the year is set out in Note 7 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in Management Discussion and Analysis and the Chairman's Statement of this annual report. Description of possible risks and uncertainties that the Group may be facing is set out on pages 49 to 50 of this annual report. The material subsequent event undertaken by the Group after 31 December 2020 is set out on page 47 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on page 40 of this annual report. Details of the capital structure of the Company is set out on page 39 of this annual report. Details of the significant capital investment of the Group is set out on page 40 of this annual report.

In addition, information of the Company's environmental policies and performance can be found in "XIV. Corporate Social Responsibility" in the Management Discussion and Analysis of this annual report. Our Company's compliance with relevant laws and regulations which have a significant impact on the Group are set out in the section headed "Compliance with Laws and Regulations" of this directors' report. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "Relationship with Stakeholders" of this directors' report.

DIVIDEND POLICY

Reference is made to the dividend policy stipulated in the Prospectus and the Company has consistently distributed dividends in accordance with the Articles of Association. The Board is responsible for submitting the suggestions concerning dividend distribution (if any) to shareholders' general meeting for approval. Whether the Company pays dividend and the amount of such dividend paid by the Company depends on the Company's operation performance, cash flow, financial status, cash dividend collected from subsidiaries, future business prospects, legal and regulatory restriction concerning the dividend distribution and other factors considered by the Board to be related.

The profit distribution policy set out in the Articles of Association is as follows:

- (I) The Company distributes profit in cash, stock, or combined cash and stock or other methods permitted by laws and regulations and normative documents;
- (II) The Company may distribute its dividend in cash under the condition that the Company is profitable in the current year and its accumulated undistributed profit is positive, and the audit institution has issued a standard audit report with unqualified opinions towards the Company's annual financial report. The accumulated profit distributed by the Company in cash in recent three years shall be no less than 30% of the average annual distributable profit gained in recent three years. The undistributed distributable profit of the year may be retained for distribution for future years. The distribution of the Company's profit shall not exceed its accumulated distributable profit nor damage the Company's sustainable operation ability;
- (III) While satisfying the requirements of cash dividend stipulated in the Articles of Association, the Company will proactively distribute dividend in cash. In principle, the cash dividend is distributed once a year. The Board will make the proposal of conducting mid-term profit distribution according to the Company's profitability and capital demand;
- (IX) To keep equity expansion in line with performance growth, the Company may distribute profit in stock dividend according to the situation of accumulated distributable profit, capital reserves and cash flow and under the premise that the conditions of the minimum cash dividend ratio and the above-mentioned cash dividend have been satisfied.

The profit distribution policy is set out in the Shareholders' Dividend Return Plan after Three Years upon the Initial Public Offering and Listing of A Shares of Qingdao Port International Co., Ltd. is as follows:

The Company distributes profit in cash, stock, or combined cash and stock or other methods permitted by laws and regulations and normative documents;

The Company may distribute its dividend in cash under the condition that the Company is profitable in the current year and its accumulated undistributed profit is positive, and the audit institution has issued a standard audit report with unqualified opinions towards the Company's annual financial report. The cash dividend of the Company in each year shall be no less than 40% of the distributable profit in the current year. The calculation method used for distributable profit in the current year is the net profit attributable to the parent company according to the consolidated financial statements prepared by the PRC Accounting Standards deducts the accumulated compensation amount for losses, statutory provident fund and other necessary reserves calculated and drew by the parent company and its subsidiaries, and the amount after considering the factors such as the impact caused to the annual net profit by the amount of asset evaluation increment invested in the Company by its sponsor and shareholder Qingdao Port (Group) Co., Ltd. when the Company was established. The undistributed distributable profit of the year may be retained for distribution for future years. The distribution of the Company's profit shall not exceed its accumulated distributable profit nor damage the Company's sustainable operation ability;

While satisfying the requirements of cash dividend stipulated in the Articles of Association, the Company will proactively distribute dividend in cash. In principle, the cash dividend is distributed once a year. The Board will make the proposal of conducting mid-term profit distribution according to the Company's profitability and capital demand;

To keep equity expansion in line with performance growth, the Company may distribute profit in stock dividend according to the situation of accumulated distributable profit, capital reserves and cash flow and under the premise that the conditions of the minimum cash dividend ratio and the above-mentioned cash dividend have been satisfied.



DIRECTORS' REPORT

RESULTS AND FINAL DIVIDEND

The results of the Group for the year are set out in the consolidated income statement of this annual report.

The Board has proposed the distribution of final dividend of RMB262.2 (tax inclusive) per thousand shares, totaling approximately RMB1,701,966.4 thousand (tax inclusive) which represents 52% of Distributable Profits attributable to shareholders of the Company for the year ended 31 December 2020. Such distribution plan will be implemented on 26 August 2021 subject to approval at the 2020 AGM.

SHARE CAPITAL

As at 31 December 2020, the number of shares issued by the Company was 6,491,100,000, with a nominal value RMB1.00 per share. The share capital structure of the Company was set out below:

Class	Number of shares	Percentage in the issued shares of the Company
A shares	5,392,075,000	83.1%
H shares	1,099,025,000	16.9%
Total	6,491,100,000	100.0%

Changes in share capital of the Company during the year are set out in Note 4(38) to the financial statements.

AUDIT COMMITTEE

Please refer to the chapters of Management Discussion and Analysis and Corporate Governance Report in this annual report for details.

RESERVES

Details of changes in reserves of the Group and the Company for the year are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the amount of reserves available for distribution of the Company was approximately RMB9,608 million, including a dividend of approximately RMB1,702 million, which is to be proposed at the 2020 AGM.

DONATIONS

During the reporting period, the Group donated approximately RMB2,024,000 for projects such as investment of medical and health resources in poor areas and subsidizing poor students.

USE OF NET PROCEEDS

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2020 are set out in Note 4(23), and Note 4(31) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's major customers and suppliers accounted for the following percentages in the Group's revenue from sales of goods or rendering of services and purchases:

Revenue from the largest customer as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 10%
Revenue from the top five customers as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 20%
Purchase amount from the largest supplier as a percentage of the Group's purchases amount	Less than 5%
Purchase amount from the top five suppliers as a percentage of the Group's purchases amount	Less than 10%

SIGNIFICANT INVESTMENTS

Details of the Group's significant investments and their performance during the year are set out in Note 4(12), Note 4(50) and Note 6(2) to the financial statements. Such investments are important parts of the business of the Group, which are in favour of enhancing the profitability, business diversification and abilities in shielding against risks of the Group.

FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Details of changes in property, plant and equipment of the Group are set out in Note 4(15) and Note 4(16) to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group for the year are set out in Note 4(14) to the financial statements.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES AND THEIR CHANGES

On 10 January 2020, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng were re-designated from executive Directors to non-executive Directors due to work adjustments. For further details, please refer to the announcement of the Company on 10 January 2020.

On 10 January 2020, due to work adjustment, Mr. JIAO Guangjun tendered a letter of resignation to the Board, resigning as a non-executive director, vice chairman, member of the Strategy and Development Committee of the Board, member of the Remuneration Committee of the Board and the authorized representative of the Company (the "**Authorized Representative**") under Rule 3.05 of the Hong Kong Listing Rules. For further details, please refer to the announcement of the Company on 10 January 2020.



DIRECTORS' REPORT

On 10 January 2020, due to work adjustment, Mr. LI Fengli was re-designated from an executive Director to a non-executive Director and was appointed as a member of the Remuneration Committee of the third session of the Board and the Authorized Representative of the Company. For further details, please refer to the announcement of the Company on 10 January 2020.

On 26 March 2020, due to work adjustment, Mr. LI Fengli tendered a letter of resignation to the Board and resigned as a non-executive Director, chairman of the Board, chairman of the Strategy and Development Committee of the Board, member of the Nomination committee of the Board, member of the Remuneration committee of the Board and the Authorized Representative of the Company. Mr. LI Fengli continued to hold the above positions until the 2019 annual general meeting, and his resignation letter took effect upon the election of the new directors of the Company at the 2019 annual general meeting. For further details, please refer to the announcements of the Company on 26 March 2020 and 10 June 2020.

On 26 March 2020, due to work adjustments, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng respectively tendered resignation letters to the Board and resigned as non-executive Directors of the Company and members of the Strategy and Development Committee of the Board. For further details, please refer to the announcement of the Company on 26 March 2020.

On 26 March 2020, due to work adjustment, Mr. LI Wucheng tendered a letter of resignation to the Supervisory Committee and resigned as a Supervisor of the Company. For further details, please refer to the announcement of the Company on 26 March 2020.

On 20 May 2020, due to reaching his retirement age, Mr. CHU Xiaozhong tendered a letter of resignation to the Board and resigned as the Company's employee representative Director, member of the Strategy and Development Committee of the Board and member of the Audit Committee of the Board. For further details, please refer to the announcement of the Company on 20 May 2020.

On 20 May 2020, due to work adjustment, Mr. ZHANG Wei tendered a letter of resignation to the Board and resigned as a non-executive Director of the Company and a member of the Strategy and Development Committee of the Board. For further details, please refer to the announcement of the Company on 20 May 2020.

On 20 May 2020, Ms. WANG Fulin was elected as the employee representative Director of the third session of the Board of the Company, and was appointed as a member of the Strategy and Development Committee of the Board and a member of the Audit Committee of the Board. For further details, please refer to the announcement of the Company on 20 May 2020.

On 10 June 2020, Mr. JIA Funing was appointed as the executive Director, chairman of the third session of the Board of the Company, chairman of the Strategy and Development Committee of the Board, member of the Nomination Committee of the Board and the Authorized Representative of the Company. For further details, please refer to the announcement of the Company on 10 June 2020.

On 10 June 2020, Mr. SU Jianguang was appointed as a non-executive Director, vice chairman of the third session of the Board of the Company, a member of the Strategy and Development Committee of the Board and a member of the Remuneration Committee of the Board. For further details, please refer to the announcement of the Company on 10 June 2020.

On 10 June 2020, Mr. FENG Boming and Mr. WANG Jun were appointed as non-executive Directors of the third session of the Board of the Company and members of the Strategy and Development Committee of the Board, respectively. For further details, please refer to the announcement of the Company on 10 June 2020.

On 10 June 2020, Mr. WANG Xinze was appointed as an executive Director of the third session of the Board of the Company and a member of the Strategy and Development Committee of the Board. For further details, please refer to the announcement of the Company on 10 June 2020.

On 10 June 2020, Mr. XIA Xiliang was appointed as a Supervisor of the third session of the Supervisory Committee of the Company. For further details, please refer to the announcement of the Company on 10 June 2020.

Save as disclosed herein, there were no changes to the Directors', Supervisors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the period from 1 January 2020 to 31 December 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board currently comprises nine Directors, two executive Directors, namely Mr. JIA Funing and Mr. WANG Xinze; four non-executive Directors, namely Mr. SU Jianguang, Mr. FENG Boming, Mr. WANG Jun and Ms. WANG Fuling; and three independent non-executive Directors, namely Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho.

The Supervisory Committee currently comprises six Supervisors, including two shareholder representative Supervisors, namely Mr. ZHANG Qingcai and Mr. XIA Xiliang; two independent Supervisors, namely Mr. WANG Yaping and Mr. YANG Qiulin; and two employee representative Supervisors, namely Mr. LIU Shuiguo and Ms. WANG Xiaoyan.

There are seven senior management in total, including the general manager Mr. WANG Xinze, the deputy general manager Mr. ZHANG Jiandong, the deputy general manager Mr. LIU Liang, the deputy general manager Mr. YANG Fengguang, the deputy general manager Mr. YIN Jian, the chief financial officer Mr. FAN Xiwei and the secretary to the Board Mr. LIU Yongxia.

Information about the details of the Directors, Supervisors and senior management of the Company is set out in the section headed "Directors, Supervisors and Senior Management".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors for a term of three years up to the conclusion of 2021 annual general meeting or which shall be terminated pursuant to relevant terms of respective contracts.

None of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

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

Save for service contracts, there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which none of the Directors and Supervisors of the Company or its connected entities had a material interest, whether directly or indirectly, as at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

INTERESTS OF DIRECTORS IN COMPETING BUSINESSES

Shandong Port Group was established in August 2019, the port operation and logistics business of which are similar to and/or are likely to compete/compete with those of the Company. During the year ended 31 December 2020, Mr. LI Fengli, the then chairman of the Board, also served as a director and the general manager of Shandong Port Group. Mr. JIAO Guangjun, the then vice chairman of the Board, concurrently also served as the deputy general manager of Shandong Port Group. Mr. JIAO Guangjun resigned from all positions in the Company on 10 January 2020. Mr. LI Fengli resigned from all positions in the Company on 10 June 2020.

Rizhao Port Group Co., Ltd. is the main operator of Rizhao Port. Its port operations and investment and logistics businesses are similar to and/or are likely to compete/compete with those of the Company. During the year ended 31 December 2020, Mr. ZHANG Jiangnan, the then Director of the Company, also served as the director, general manager of Rizhao Port Group Co., Ltd. and the chairman of Rizhao Port Co., Ltd., a subsidiary of Rizhao Port Group Co., Ltd.. Mr. ZHANG Jiangnan resigned from all positions in the Company on 26 March 2020.

COSCO SHIPPING Group is one of the largest shipping companies in the world, the port operation and investment and the logistics business of which are similar to and/or are likely to compete/compete with those of the Company. During the year ended 31 December 2020, Mr. ZHANG Wei, the then Director of the Company, concurrently also served as a director and/or a member of senior management of COSCO SHIPPING Group. Mr. FENG Boming, a Director of the Company, also serves as a director and/or a member of senior management of COSCO SHIPPING Ports and COSCO SHIPPING Holdings Co., Ltd., all of which are members of COSCO SHIPPING Group. Mr. ZHANG Wei resigned from all positions in the Company on 20 May 2020.

The Company has received confirmation letters from the Directors confirming that, save as disclosed above, other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group during the year ended 31 December 2020.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of Directors and Supervisors of the Company is determined based on their roles and duties, the Company's remuneration policy and the prevailing market conditions, subject to the approval of the shareholders' general meeting. Details of remuneration of Directors, Supervisors and the five highest paid individuals of the Company during the year are set out in Note 8(9) and Note 8(10) to the financial statements.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 December 2020, none of the Directors, Supervisors or the chief executive and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

MATERIAL CONTRACT

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any material contract with the controlling Shareholder (as defined in the Hong Kong Listing Rules) or any of its subsidiaries, nor had any material contract been entered into for the services provided by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2020, the following persons (other than the Directors, Supervisors and chief executive) had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name	Class of Shares	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued A shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company	Long position/ short position
QDP	A shares	Beneficial owner ⁽¹⁾	3,522,179,000	54.26%	65.32%	—	Long position
Shandong Port Group	A shares	Interest in a controlled corporation ⁽¹⁾	3,522,179,000	54.26%	65.32%	—	Long position
COSCO SHIPPING Ports Development Co., Ltd.	H shares	Beneficial owner ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
Shanghai China Shipping Terminal Development Co., Ltd.	A shares	Beneficial owner ⁽²⁾	1,015,520,000	15.64%	18.83%	—	Long position

DIRECTORS' REPORT

Name	Class of Shares	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued A shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company	Long position/ short position
COSCO SHIPPING Ports Limited	A shares	Interest in a controlled corporation ⁽²⁾	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
China COSCO (Hong Kong) Limited	A shares	Interest in a controlled corporation ⁽²⁾	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
COSCO SHIPPING Holdings Co., Ltd.	A shares	Interest in a controlled corporation ⁽²⁾	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
China Ocean Shipping Co., Ltd.	A shares	Interest in a controlled corporation ⁽³⁾	1,207,520,000	18.60%	22.39%	—	Long position
	H shares	Interest in a controlled corporation ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
China COSCO Shipping Corporation Limited	A shares	Interest in a controlled corporation ⁽³⁾	1,207,520,000	18.60%	22.39%	—	Long position
	H shares	Interest in a controlled corporation ⁽⁴⁾	173,313,000	2.67%	—	15.77%	Long position
China Life Insurance (Group) Company	H shares	Beneficial owner	180,000,000	2.77%	—	16.38%	Long position
Value Partners Group Limited	H shares	Interest in a controlled corporation ⁽⁵⁾	76,922,000	1.19%	—	7.00%	Long position
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	65,878,000	1.01%	—	5.99%	Long position
FMR LLC	H shares	Interest in a controlled corporation	77,015,887	1.19%	—	7.01%	Long position

Notes:

- (1) Qingdao SASAC and Shandong Port Group holds 51% and 49% equity interests of QDP, respectively. The Company was informed that as at 31 December 2020, QDP directly or indirectly held 54,153,000 H shares of the Company, representing approximately 4.93% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by QDP and as at the date of this report, based on publicly available information and so far as the Directors are aware, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Hong Kong Listing Rules.

On 22 August 2019, Shandong Port Group, Qingdao SASAC, QDP and Weihai SASAC entered into the Gratuitous Transfer Agreement of the Equity Interests, and Qingdao SASAC transferred 100% equity interests in QDP to Shandong Port Group. On 17 November 2020, Shandong Port Group, Qingdao SASAC and QDP entered into the Supplemental Agreement to Gratuitous Transfer Agreement of the Equity Interests. Qingdao SASAC will gratuitously transfer 49% equity interests in QDP instead of 100% equity interests in QDP to Shandong Port Group and the gratuitous transfer has been completed already. As at 31 December 2020, the controlling shareholder of the Company is still QDP, and the ultimate controller of the Company is still Qingdao SASAC. For details, please refer to the announcements of the Company dated 22 August 2019, 23 August 2019, 28 August 2019, 30 August 2019, 17 November 2020, 20 November 2020 and 2 December 2020.

- (2) 96,000,000 A shares and 1,015,520,000 A shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by COSCO SHIPPING Ports Development Co., Ltd., which is wholly owned by COSCO SHIPPING Ports. China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd., owned 50.23% interests (in which 6.74% interests was held by its wholly-owned subsidiary) in COSCO SHIPPING Ports. COSCO SHIPPING Holdings Co., Ltd. is 8.33% owned by COSCO SHIPPING Group and 37.89% owned by China Ocean Shipping Co., Ltd., and China Ocean Shipping Co., Ltd. is wholly owned by COSCO SHIPPING Group. As such, each of COSCO SHIPPING Ports, China COSCO (Hong Kong) Limited, COSCO SHIPPING Holdings Co., Ltd., China Ocean Shipping Co., Ltd. and COSCO SHIPPING Group is deemed to be interested in 1,111,520,000 A shares of the Company.
- (3) In addition to the 96,000,000 A shares and 1,015,520,000 A shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 A shares of the Company directly held by COSCO Shipping (Qingdao) Co., Ltd., which is wholly owned by COSCO SHIPPING Group. As such, COSCO SHIPPING Group is deemed to be interested in 96,000,000 A shares of the Company and deemed to be interested in 1,207,520,000 A shares of the Company in total.
- (4) 173,313,000 H shares of the Company are directly held by COSCO SHIPPING Ports Development Co., Ltd.. Based on the shareholding relationships set out under note (2) above, each of COSCO SHIPPING Ports, China COSCO (Hong Kong) Limited, COSCO SHIPPING Holdings Co., Ltd, China Ocean Shipping Co., Ltd. and COSCO SHIPPING Group is deemed to be interested in 173,313,000 H shares of the Company.
- (5) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited. Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 31 December 2020, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.



DIRECTORS' REPORT

DEBENTURES IN ISSUE

In order to meet its operation demands, optimize and adjust its debt structure and lower its financing costs, the Company issued the 2016 first tranche of domestic corporate bonds on 16 March 2016 and the 2016 second tranche of domestic corporate bonds on 6 June 2016, details of which are set out in Note 4(32) of the financial statements.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights for any Directors or supervisors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted by the Company or a specified underwriting of the Company (as defined in Companies (Directors' Report) Regulation) to them, or were any such rights exercised by them; or was the Company or a specified underwriting of the Company (as defined in Companies (Directors' Report) Regulation) a party to any arrangement to enable the Directors and supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2020.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling Shareholder did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2020.

SHARE OPTION SCHEME

As of 31 December 2020, the Company did not implement any share option scheme.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Hong Kong Listing Rules, and the minimum percentage of the Company's shares from time to time held by the public was reduced to 16.62%. Based on publicly available information and so far as the Directors are aware, as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Hong Kong Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would otherwise require the offer of new shares of the Company to existing Shareholders on a pro-rata basis.

EMPLOYEES, REMUNERATION AND PENSION SCHEME

Details of employees, remuneration policy and pension scheme of the Group are set out in Note 4(27) and Note 4(36) to the financial statements.

CONTINGENT LIABILITIES

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

NON-COMPETITION AGREEMENT AND UNDERTAKING

The Company has received a confirmation letter issued by QDP which confirms that it has complied with the Non-Competition Agreement and Undertaking entered into with the Group during the reporting period.

CONFIRMATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance to safeguard shareholders' interests and enhance the value and accountability of the Company.

The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2020. For details of compliance with the Corporate Governance Code, please refer to the Corporate Governance Report in this annual report.

AUDITORS

This financial statements have been audited by PricewaterhouseCoopers Zhong Tian LLP whose office will be expired at the conclusion of the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor at the forthcoming annual general meeting.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons involved in the connected transactions disclosed below (set out below is the information as of 31 December 2020)

Connected Person	Connected Relationship
QDP	The controlling shareholder of the Company holding approximately 55% of the Company's total issued share capital directly and through its subsidiaries indirectly
COSCO SHIPPING Group	An associate of substantial shareholder of the Company, Shanghai China Shipping Terminal, holding approximately 21% of the total issued share capital of the Company indirectly by its subsidiaries
Financial Holdings	A holding subsidiary of QDP, the controlling shareholder of the Company
Qingdao Finance	A connected subsidiary of the Company which is held as to 70% equity interests by the Company and the remaining 30% equity interests by QDP
Qingdao OST	A connected subsidiary of the Company which is held as to 84% equity interests by the Company and the remaining 16% equity interests by China Ocean Shipping Tally Company, a subsidiary of COSCO SHIPPING Group
Qingdao Lianhai	Qingdao Port Lianhai International Logistics Co., Ltd. (青島港聯海國際物流有限公司), the Company and a subsidiary of COSCO SHIPPING Group each holds 50% equity interests of it

CONNECTED TRANSACTIONS

The Group has conducted a non-exempt connected transaction during the year ended 31 December 2020.

(A) REGARDING YONGLI COMPANY EQUITY TRANSFER

In order to highlight the core business advantages of the Group and enable the Group to obtain better returns, on 10 June 2020, each of the Company and Qingdao Port (Group) Engineering Co., Ltd. (青島港(集團)港務工程有限公司), a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with Financial Holdings, a wholly-owned subsidiary of QDP, the controlling shareholder of the Company, to transfer 90% and 10% of the equity interests of Qingdao Yongli Insurance Agency Co., Ltd. (青島永利保險代理有限公司) to Financial Holdings. The transaction considerations were RMB54,475,830 and RMB6,052,870, respectively, the consideration of the transaction was determined by the parties through fair negotiation and with reference to the appraised value of Qingdao Yongli Insurance Agency Co., Ltd.'s equity interests. As of 31 December 2020, the Company and Qingdao Port (Group) Engineering Co., Ltd. have received the equity transfer payment. For details, please refer to the Company's announcement dated 10 June 2020.

CONTINUING CONNECTED TRANSACTIONS

Unless otherwise defined, the terms used below have the same meanings as defined in the relevant announcements.

(A) CONTINUING CONNECTED TRANSACTIONS WITH QDP

i. 2020 QDP Goods and Services Agreement

On 28 March 2019, the Company entered into the 2020 QDP Goods and Services Agreement with QDP pursuant to which the Group shall provide comprehensive goods and services (including sales of goods and services, purchase of goods and services, leasing out of assets and leasing in assets) to QDP and/or its subsidiaries and associates. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019 for details of the aforesaid agreement.

ii. 2020 QDP Financial Services Agreement

On 28 March 2019, the Company entered into the 2020 QDP Financial Services Agreement with QDP pursuant to which QDP and/or its subsidiaries and associates shall provide financing services to the Group, including entrusted loan service, financial leasing service, commercial factoring service, micro loan service, financing guarantee service. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting dated 17 May 2019 for details of the aforesaid agreement.

(B) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCE

i. 2020 Financial Services Agreement I

On 28 March 2019, the Company entered into the 2020 Financial Services Agreement I with Qingdao Finance pursuant to which Qingdao Finance shall provide financing services to the Group, including deposit services, credit services and intermediary business services. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting dated 17 May 2019 for details of the aforesaid agreement.

ii. 2020 Financial Services Agreement II

On 28 March 2019, Qingdao Finance entered into the 2020 Financial Services Agreement II with QDP pursuant to which Qingdao Finance shall provide financing services to QDP and/or its subsidiaries and associates, including deposit services, credit services and intermediary business services. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting dated 17 May 2019 for details of the aforesaid agreement.

iii. 2020 Lianhai Financial Services Agreement

On 28 March 2019, Qingdao Finance entered into the 2020 Lianhai Financial Services Agreement with Qingdao Lianhai pursuant to which Qingdao Finance shall provide financing services to Qingdao Lianhai, including deposit services, credit services and intermediary business services. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting published dated 17 May 2019 for details of the aforesaid agreement.

(C) CONTINUING CONNECTED TRANSACTIONS WITH COSCO SHIPPING GROUP

On 28 March 2019, the Company entered into the 2020 COSCO SHIPPING Goods and Services Agreement with COSCO SHIPPING Group pursuant to which the Group shall provide comprehensive goods and services (including sales of goods and services, purchase of goods and services, leasing out of assets and leasing in assets) to COSCO SHIPPING Group and/or its subsidiaries and associates. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting dated 17 May 2019 for details of the aforesaid agreement.

(D) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO OST

On 28 March 2019, the Company entered into the 2020 Qingdao OST Goods and Services Agreement with Qingdao OST pursuant to which the Group shall provide comprehensive goods and services (including sales of goods and services, purchase of goods and services) to Qingdao OST and/or its subsidiaries and associates. The term of the agreement is from 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 28 March 2019.

In 2019, the Company newly signed and reviewed the 2021 Orient Financial Services Agreement pursuant to which Qingdao Finance shall provide financing services to Qingdao Orient International Container Storage & Transportation Co., Ltd. (青島東港國際集裝箱儲運有限公司), including deposit services, credit services and intermediary business services.. The term of the agreement is from 1 January 2021 to 31 December 2022. The Company will disclose the details of the continuing connected transactions in accordance with the requirements of the Hong Kong Listing Rules. Please refer to the announcement of the Company dated 28 March 2019, circular of the 2018 annual general meeting of the Company dated 23 April 2019 and the poll results of the 2018 annual general meeting dated 17 May 2019 for details of the aforesaid agreement.

Annual caps and actual transactions amounts for the above continuing connected transactions for the year 2020 are as follows:

Unit: RMB'000

		Annual cap for 2020	Amount incurred in 2020
A.	Continuing connected transactions with QDP		
i	2020 QDP Goods and Services Agreement		
	The Group sells goods and services to QDP	578,000	265,753
	The Group purchases goods and services from QDP	90,000	77,816
	The Group leases assets to QDP	10,000	2,014
	The Group leases assets from QDP	180,000	98,994
ii	2020 QDP Financial Services Agreement		
	Maximum outstanding balance of the entrusted loan provided received by the Group from QDP	5,300,000	891,150
	Daily maximum outstanding balance of financial leasing services received by the Group from QDP	2,600,000	680,187
	Rental expenses of financial leasing services received by the Group from QDP	120,000	36,476
	Daily maximum outstanding balance of commercial factoring services received by the Group from QDP	1,000,000	13,867
	Interests expenses of commercial factoring services received by the Group from QDP	40,000	54
	Expenses under the intermediary services of commercial factoring services received by the Group from QDP	5,000	0
	Daily maximum outstanding balance of small loan services received by the Group from QDP	100,000	0

	Annual cap for 2020	Amount incurred in 2020
Interests expenses of small loan services received by the Group from QDP	4,000	0
Maximum outstanding balance of the financing guarantee service received by the Group from QDP	500,000	3,540
Guarantee expenses for financing guarantee services received by the Group from QDP	10,000	14
B. Continuing connected transactions with Qingdao Finance		
i Daily maximum balance deposited by the Group in Qingdao Finance (including accrued interest and commission fee)	24,000,000	10,718,489
Intermediary business services provided by Qingdao Finance to the Group	7,000	3,230
ii Daily maximum outstanding loan balance of credit services provided by Qingdao Finance to QDP and/or its associates (including accrued interest and commission fee)	4,300,000	1,861,236
Intermediary business services provided by Qingdao Finance to QDP	7,000	449
iii Daily maximum balance deposited by Qingdao Lianhai in Qingdao Finance (including accrued interest and handling fee)	240,000	30,843
Daily maximum outstanding loan balance of credit services provided by Qingdao Finance to Qingdao Lianhai (including accrued interest and handling fee)	100,000	0
Intermediary business services provided by Qingdao Finance to Qingdao Lianhai (including accounts receivable management, accounts receivable collection and bad debt guarantee, etc.)	150	0
C. Continuing connected transactions with COSCO SHIPPING Group		
2020 COSCO SHIPPING Goods and Services Agreement		
The Group purchases goods and services from COSCO SHIPPING Group	460,000	242,620
The Group sells goods and services to COSCO SHIPPING Group		
Including stevedoring services	420,000	229,676
logistics services	450,000	348,461
port ancillary services	40,000	30,603
Total	910,000	608,740
The Group leases assets to COSCO SHIPPING Group	60,000	32,879
The Group leases assets from COSCO SHIPPING Group	2,000	122
D. Continuing connected transactions with Qingdao OST		
The Group purchases goods and services from Qingdao OST	90,000	4,568
The Group sells goods and services to Qingdao OST	45,000	42,299

(E) CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions:

- (1) were entered into in the ordinary and usual course of business of the Group;
- (2) were either on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those adopted for transactions between the Group and independent third parties;
- (3) were in accordance with the terms of such transactions agreements, which are in the interest of the Group and our Shareholders as a whole, and fair and reasonable; and
- (4) did not exceed the annual cap amounts.

(F) CONFIRMATION FROM THE AUDITOR

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out on pages 74 to 77 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to 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 auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The Company has provided a copy of the auditor's assurance report to the Hong Kong Stock Exchange.

(G) OTHERS

Except for the above, the Group did not enter into any other connected transactions which should comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For certain material related party transactions disclosed in Note 8 to the financial statements which also constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure as required under the Hong Kong Listing Rules.

DESCRIPTION OF OTHER MATTERS

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. We strive to achieve corporate sustainability through coordinating with our employees closely, providing quality services to our customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human resources. The Company provides a fair workplace and develop the non-discriminatory and diversified environment. We also provide competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits performance. The Company ensures that all businesses of the Group are conducted in accordance with the principles under the health and safety management system. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To increase customer satisfaction and promote a customer-oriented culture within the Company, we take "Customer First" as one of our core values. We value the feedback from customers through daily communication, regular inspections, etc. We have also established the mechanism about customer service, support and complaints. When dealing with customer complaint, we treat it as an opportunity to improve our relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

We deeply believe that our suppliers are equally important in developing high-quality projects. We proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable products and services. We have formulated and included certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics. We assure the performance of our suppliers through supplier approval process and by conducting factory audits/site visits and spot checks on the delivered goods at site during the contractual periods.

By order of the Board
JIA Funing
Chairman

Qingdao, the PRC
 29 March 2021



SUPERVISORS' REPORT

In 2020, the Supervisory Committee maintained the interests of the Company and its shareholders by actively undertaking its responsibilities and supervising the compliant operation and connected transactions of the Company in accordance with laws, regulations and regulation requirements including the Company Law of the PRC, the Securities Law of the PRC, and rules including the Articles of Association and the Rules of Procedures for the Supervisory Committee of Qingdao Port International Co., Ltd., and the rights conferred by the general meeting of shareholders.

I. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee held four on-site meetings, the details of which were as follows:

- (i) On 26 March 2020, the Supervisory Committee held the sixth meeting of the third session of the Supervisory Committee to consider and approve eleven resolutions, including Resolution on the Annual Report for 2019 of Qingdao Port International Co., Ltd., Resolution on 2019 Sustainability Report and 2020 Sustainability Report Work Plan of Qingdao Port International Co., Ltd., Resolution on the Work Report of the Supervisory Committee for the year of 2019 of Qingdao Port International Co., Ltd., Resolution on the Financial Statements for 2019 of Qingdao Port International Co., Ltd., Resolution on the Profit Distribution Plan for 2019 of Qingdao Port International Co., Ltd., Resolution on the Remuneration Plan of 2019 for Supervisors of Qingdao Port International Co., Ltd., Resolution on the Special Report for 2019 on the Storage and Actual Use of Funds Raised by Qingdao Port International Co., Ltd., Resolution on the Internal Control Evaluation Report for 2019 of Qingdao Port International Co., Ltd., Resolution on the Nomination of Candidate for Non-employee Representative Supervisor of the Third Session of the Supervisory Committee of Qingdao Port International Co., Ltd., Resolution on the Change and Termination of Use of Proceeds for Certain Investment Projects of Qingdao Port International Co., Ltd., and Resolution on Amendments to Rules of Procedures for the Supervisory Committee of Qingdao Port International Co., Ltd.
- (ii) On 28 April 2020, the Supervisory Committee held the seventh meeting of the third session of the Supervisory Committee to consider and approve the Resolution on the First Quarterly Report for 2020 of Qingdao Port International Co., Ltd..
- (iii) On 27 August 2020, the Supervisory Committee held the eighth meeting of the third session of the Supervisory Committee to consider and approve two resolutions, including Resolution on the Interim Report for 2020 of Qingdao Port International Co., Ltd., and Resolution on the Special Report on the Storage and Actual Use of Funds Raised by Qingdao Port International Co., Ltd. in the First Half of 2020.
- (iv) On 29 October 2020, the Supervisory Committee held the ninth meeting of the third session of the Supervisory Committee to consider and approve Resolution on the Third Quarterly Report for 2020 of Qingdao Port International Co., Ltd..

II. INDEPENDENT ADVICE OF SUPERVISORY COMMITTEE ON RELEVANT ISSUES

(1) Compliance Operation

During the reporting period, the Board held board meetings and considered resolutions as well as convened and organized the general meeting and attended relevant meetings through undertaking their responsibilities and operating legally in accordance with laws and regulations, normative documents as well as the Articles of Association. The Directors and senior management maintained the interests of the Company and its shareholders by seriously carrying out the resolutions made by the shareholder's general meetings and the Board, and acting diligently and responsibly in the management and operation of the Company.

(2) Inspection of Financial Conditions of the Company

The Supervisory Committee has been supervised the financial condition of the Company for the year of 2020 effectively and is of the view that the Company has a sound financial system, standardized management and a good financial condition. PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company, has audited the financial statements of the Company in accordance with the PRC Accounting Standards for Business Enterprises. The Supervisory Committee has reviewed the 2020 audit report and financial statement report and believes that these reports have fairly and truly reflected the financial and operating conditions of the Company.

(3) Use of Proceeds Raised

During the reporting period, the use of all proceeds strictly complied with the requirements of the H Share Prospectus, the A Share Prospectus, the Company's announcements and related governance systems. The Company fulfilled its board of directors' approval and information disclosure obligations before changing the use of proceeds raised. The procedures for using funds are in compliance with regulations, and there is no illegal use of raised funds. Under the premise of not affecting the construction of the investment projects and the scheduled operation of the business, the Company has used the idle raised funds to appropriately purchase wealth management products with high safety, good liquidity, guaranteed capital with a term of not more than 12 months. This is conducive to improving the efficiency of the use of funds and to gaining more investment returns for the Company and shareholders.

(4) Connected Transactions and Related-Party Transactions

Connected transactions and related-party transactions entered into during the reporting period have been complying with laws and regulations as well as the requirements of the relevant connected transactions and related-party transactions agreements, and are fair and reasonable to the Company and its shareholders without harming their interests.

(5) Review of Periodic Reports

During the reporting period, the preparation and review procedures of the Company's periodic reports are in compliance with laws, regulations, the Articles of Association and the provisions of the Company's internal management policy. The content and format of the periodic reports are in accordance with the requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange. There is no false record, misleading statement or material omission in these periodic reports. No personnel involved in the preparation and review of the annual report were found to have violated confidentiality agreement before the Supervisory Committee reviewed the annual report.

III. OUTLOOK AND PROSPECT FOR 2021

In 2021, the Supervisory Committee will continue to seriously fulfill their responsibilities in accordance with relevant laws and regulations, the Articles of Association and the Rules of Procedures for the Supervisory Committee to further enhance the Company's compliant operation.

(1) Undertake responsibilities in accordance with laws

The Supervisory Committee will continue to urge the Company to continuously improve the corporate governance structure in accordance with the requirements of the modern enterprise system and further improve the corporate governance level. At the same time, we will urge Directors and senior management to perform their duties diligently, complete their work conscientiously, make more standardized business decisions, and effectively safeguard the legitimate rights and interests of the Company and shareholders.

(2) Strengthen supervision and inspection

By communicating with the management and reviewing regular reports, the Supervisory Committee will keep track of the Company's operations, and supervise the Company's financial operations. The Supervisory Committee will comprehensively monitor the use of funds raised by the Company, connected transactions and major foreign investment to promote the Company's healthy and sustainable development.

(3) Strengthen learning and improve supervision capabilities

The Supervisory Committee will continue to strengthen the study of laws and regulations, broaden professional knowledge and improve business levels, improve supervision methods, and enhance supervision capabilities and levels.

In 2021, the Supervisory Committee will continuously improve its working abilities, enhance its responsibilities and awareness of self-discipline business skills, carefully fulfill its duties and strengthen the supervision to fulfill its responsibilities to protect the interests of the Company and the shareholders of the Company, and jointly promote the healthy, stable and sustainable development of the Company together with the Board and all the shareholders of the Company, pursuant to the Company Law of the PRC.

By order of the Supervisory Committee
ZHANG Qingcai
Chairman of the Supervisory Committee

Qingdao, the PRC
29 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2020 (the “**Reporting Period**”).

The Board is committed to upholding a high standard of corporate governance practices in the belief that they are essential for maintaining and promoting investors’ confidence and improving shareholders’ returns. The Board reviews its corporate governance practices from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of shareholders and other stakeholders.

The Company has been in compliance with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules during the Reporting Period.

I. THE BOARD

1. Composition of the Board

The Board currently comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. During the Reporting Period, members of the Board of the Company are listed as below:

Member of the Board	Position	Date of appointment/ re-designation
Mr. JIA Funing (賈福寧)	Chairman, executive Director	10 June 2020
Mr. LI Fengli (李奉利) (Note 1)	Chairman, executive Director	17 May 2019
	Non-executive Director	10 January 2020
Mr. SU Jianguang (蘇建光)	Vice Chairman, non-executive Director	10 June 2020
Mr. FENG Boming (馮波鳴)	Non-executive Director	10 June 2020
Mr. WANG Xinze (王新澤)	Executive Director	10 June 2020
	General Manager	10 January 2020
Mr. WANG Jun (王軍)	Non-executive Director	10 June 2020
Ms. WANG Fuling (王芙玲)	Non-executive Director	20 May 2020
Ms. LI Yan (李燕)	Independent non-executive Director	17 May 2019
Mr. JIANG Min (蔣敏)	Independent non-executive Director	17 May 2019
Mr. LAI Kwok Ho (黎國浩)	Independent non-executive Director	17 May 2019
Mr. JIAO Guangjun (焦廣軍) (Note 2)	Vice Chairman, non-executive Director	17 May 2019
Mr. ZHANG Wei (張為) (Note 3)	Non-executive Director	17 May 2019
Mr. ZHANG Jiangnan (張江南) (Note 4)	Executive Director	17 May 2019
	Non-executive Director	10 January 2020
Mr. CHU Xiaozhong (褚效忠) (Note 5)	Non-executive Director	17 May 2019
Ms. JIANG Chunfeng (姜春鳳) (Note 6)	Executive Director	17 May 2019
	Non-executive Director	10 January 2020

Note 1: Mr. LI Fengli (李奉利) was re-designated from an executive Director to a non-executive Director of the Company due to the adjustment of work arrangement on 10 January 2020 and resigned as the chairman of the Board, non-executive Director due to the adjustment of work arrangements on 26 March 2020. Mr. LI Fengli continued to serve in positions as non-executive Director, the chairman of the Board until the 2019 annual general meeting and his resignation took effect upon the election of new Directors at the 2019 annual general meeting.

Note 2: Mr. JIAO Guangjun (焦廣軍) resigned as the vice chairman and non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangement.

Note 3: Mr. ZHANG Wei (張為) resigned as the non-executive Director of the Company on 20 May 2020 due to the adjustment of work arrangement.

Note 4: Mr. ZHANG Jiangnan (張江南) re-designated from an executive Director to a non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangement, and resigned as non-executive Director of the Company on 26 March 2020 due to the adjustment of work arrangement.

Note 5: Mr. CHU Xiaozhong (褚效忠) resigned as non-executive Director of the Company on 20 May 2020 due to reaching his retirement age.

Note 6: Ms. JIANG Chunfeng (姜春鳳) re-designated from an executive Director to a non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangement, and resigned as non-executive Director of the Company on 26 March 2020 due to the adjustment of work arrangement.

The Directors are elected by the general meeting of the Company and will hold offices until the annual general meeting for the year 2021 to be held in 2022. The Directors are subject to re-election for re-appointment when their terms of office as Directors expire.

Biography of each Director is set out in the section headed “Directors, Supervisors and Senior Management”. In addition, the list setting out the name, roles and function of each Director has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.qingdao-port.com).

The Directors have no financial, business, family or other material/relevant relationships with each other.

Chairman and General Manager

The positions of Chairman and General Manager of the Company are segregated and held by different persons to ensure their respective independence of responsibility and accountability and the balance and restriction of power and authority between them. The Chairman plays a critical role in leading the Board, ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst the General Manager is mainly responsible for the day-to-day management of the Company's operations, including being in charge of the production and operation management of the Company, organizing the enforcement of resolutions of the Board and coordinating overall business operations.

During the Reporting Period, the Chairman has held a meeting with the independent non-executive Directors without the presence of other Directors.

Responsibilities of the Board and Management

The Board is responsible to all shareholders and mainly responsible for implementing the resolutions approved by general meetings, determining the operating plans and investment projects of the Company, managing the disclosure of the Company's information, attending to the regular or irregular work report of the General Manager and review the work of the General Manager, and determining such matters as the external investments, asset purchase and sale and pledge of assets within the scope authorised by the general meetings.

Under the leadership of the General Manager, the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management. In order to ensure the effective operation of the Company, the management submits an operation report of the Company to the Board each month, which enables the Board to monitor the operation situation of the Company in time and to assess and supervise the management. Meanwhile, the management also communicates with the Board in formal and informal manners in respect of the issues related to the operation and business of the Company and provides sufficient information at appropriate time to allow the Board to make decisions with sufficient background information, which enhance the decision-making efficiency and quality of the Board.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and (2) of the Hong Kong Listing Rules, two of whom own accounting and financial management expertise and the other one owns expertise in law. The number of independent non-executive Directors accounts for one-third or more of the number of the Board members.

According to the Rule 3.13 of Hong Kong Listing Rules, the independent non-executive Directors of the Company have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations provided by independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that they had fully complied with the required standards set out in the Model Code during the period from 1 January 2020 or their respective appointment dates to 31 December 2020.

Training and Continuous Professional Development of Directors

On 25 February 2020, all Directors, Supervisors, and senior management of the Company received training provided by Beijing Jia Yuan Law Firm, the Company's PRC legal adviser. The trainings mainly focused on the revision of the "Securities Law of the People's Republic of China", the performance of duties by Directors, Supervisors, and senior management, information disclosure, and other requirements.

On 10 June 2020, all Directors, Supervisors, and senior management of the Company received trainings provided by Freshfields Bruckhaus Deringer, the Company's Hong Kong legal adviser, Beijing Jia Yuan Law Firm, the Company's PRC legal adviser, and CITIC Securities Co., Ltd., the A-share listing continuous supervision agency of the Company. The trainings mainly focused on the "continuing obligations and responsibilities of directors, supervisors and senior management personnel of listed companies in Hong Kong", corporate governance of listed companies, and major asset restructuring rules and practices of listed companies.

The Company secretary provided the Directors with information such as the latest amendments to the Hong Kong Listing Rules and other applicable regulatory requirements, cases of listed companies, industry news, production and operation situations of the Company from time to time to allow them to learn the updates of regulatory rules, industry information and the Company's information in time and fulfill their responsibilities.

Newly appointed Directors will receive trainings provided by the Company upon the appointment, so as to ensure that they have adequate understanding of the Company's business and they are fully aware of their duties as Directors under the laws, regulations and the Articles of Association.

The Directors, namely Mr. JIA Funing, Mr. SU Jianguang, Mr. FENG Boming, Mr. WANG Xinze, Mr. WANG Jun, Ms. WANG Fuling, Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho have got continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which enables them to make continuous contributions to the Company with comprehensive knowledge and technique.

Liability Insurance of Directors, Supervisors and Members of Senior Management

The Company has been always placing great emphasis on risk prevention of the Directors' liability, thus the Company has purchased insurances for all Directors, Supervisors and members of senior management to minimize risks that may be incurred in their normal performance of responsibilities.

Directors' Responsibility on Financial Statements

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2020, which gives a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

2. Board Meetings and General Meetings

During the year, the Company held six on-site Board meetings and convened three general meetings of shareholders (including 2019 annual general meeting, the first A Shareholders' class meeting of 2020 and the first H Shareholders' class meeting of 2020). The attendance of the above meetings by each Director is as follows:

Name of Directors	Number of Board Meetings Attended		Number of General Meeting(s) Attended	
	During the Tenure	Attendance Rate	During the Tenure	Attendance Rate
Mr. JIA Funing (賈福寧) (Note 1)	3/3	100%	0/0	Not applicable
Mr. LI Fengli (李奉利) (Note 2)	3/3	100%	3/3	100%
Mr. SU Jianguang (蘇建光) (Note 3)	3/3	100%	0/0	Not applicable
Mr. FENG Boming (馮波鳴) (Note 4)	2/3	66.7%	0/0	Not applicable
Mr. WANG Xinze (王新澤) (Note 5)	3/3	100%	0/0	Not applicable
Mr. WANG Jun (王軍) (Note 6)	3/3	100%	0/0	Not applicable
Ms. WANG Fuling (王芙玲) (Note 7)	3/3	100%	3/3	100%
Ms. LI Yan (李燕)	6/6	100%	3/3	100%
Mr. JIANG Min (蔣敏)	6/6	100%	3/3	100%
Mr. LAI Kwok Ho (黎國浩)	6/6	100%	3/3	100%
Mr. JIAO Guangjun (焦廣軍) (Note 8)	0/0	Not applicable	0/0	Not applicable
Mr. ZHANG Wei (張為) (Note 9)	3/3	100%	0/0	Not applicable
Mr. ZHANG Jiangnan (張江南) (Note 10)	1/1	100%	0/0	Not applicable
Mr. CHU Xiaozhong (褚效忠) (Note 11)	3/3	100%	0/0	Not applicable
Ms. JIANG Chunfeng (姜春鳳) (Note 12)	1/1	100%	0/0	Not applicable

Note 1: Mr. JIA Funing (賈福寧) was appointed on 10 June 2020. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2020. No general meeting of shareholders was held. Mr. JIA Funing attended the Company's general meeting of shareholders as a shareholder representative on 10 June 2020.

Note 2: Mr. LI Fengli (李奉利) resigned on 10 June 2020. From 1 January 2020 to the date of his resignation, the Company held 3 on-site board meetings and 3 general meetings of shareholders.

Note 3: Mr. SU Jianguang (蘇建光) was appointed on 10 June 2020. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2020. No general meeting of shareholders was held.

Note 4: Mr. FENG Boming (馮波鳴) was appointed on 10 June 2020. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2020. No general meeting of shareholders was held. On 29 October 2020, Mr. FENG Boming was unable to attend the on-site board meeting due to official business arrangements. He has entrusted Mr. JIA Funing to vote on his behalf at the board meeting.

Note 5: Mr. WANG Xinze (王新澤) was appointed on 10 June 2020. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2020. No general meeting of shareholders was held.

Note 6: Mr. WANG Jun (王軍) was appointed on 10 June 2020. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2020. No general meeting of shareholders was held.

Note 7: Ms. WANG Fuling (王芙玲) was appointed on 20 May 2020. The Company held 3 on-site board meetings from the date of her appointment to 31 December 2020 and 3 general meetings of shareholders.

Note 8: Mr. JIAO Guangjun (焦廣軍) resigned on 10 January 2020, and the Company did not hold on-site board meetings and general meeting of shareholders from 1 January 2020 to the date of his resignation.

Note 9: Mr. ZHANG Wei (張為) resigned on 20 May 2020. The Company held 3 on-site board meetings from 1 January 2020 to the date of his resignation. No general meeting of shareholders was held.

Note 10: Mr. ZHANG Jiangnan (張江南) resigned on 26 March 2020. The Company held an on-site board meeting from 1 January 2020 to the date of his resignation, and no general meeting of shareholders was held.

Note 11: Mr. CHU Xiaozhong (褚效忠) resigned on 20 May 2020. The Company held 3 on-site board meetings from 1 January 2020 to the date of his resignation, and no general meeting of shareholders was held.

Note 12: Ms. JIANG Chunfeng (姜春鳳) resigned on 26 March 2020. The Company held an on-site board meeting from 1 January 2020 to the date of her resignation, and no general meeting of shareholders was held.

Notices for all regular Board meeting, the agenda and the relevant papers have been given to each Director at least fourteen days before the meetings in order that they are able to attend the meetings and have sufficient time to review the papers. Minutes of each Board meeting are circulated to all Directors for perusal. Directors who have conflicts of interest in the Board resolutions have abstained from voting.

All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek for independent professional advice at the Company's expense after making reasonable request to the Board.

II. SPECIAL COMMITTEES OF THE BOARD

The Board established four special committees, namely Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Strategy and Development Committee

The Strategy and Development Committee currently consists of seven Directors, namely Mr. JIA Funing (賈福寧), Mr. SU Jianguang (蘇建光), Mr. FENG Boming (馮波鳴), Mr. WANG Xinze (王新澤), Mr. WANG Jun (王軍), Ms. WANG Fuling (王芙玲) and Mr. JIANG Min (蔣敏).

The primary responsibility of the Strategy and Development Committee is to review the overall development and strategic plans of the Company, the major investment and financing proposals of the Company and other issues that are material to the development of the Company, and to make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Strategy and Development Committee held one on-site meeting, in which resolutions regarding general mandate to issue shares, general mandate to issue the debt financing instruments, business plan for 2020 and changes and termination of use of proceeds for investment projects were considered and approved and recommendations were made to the Board.

The attendance of the on-site meeting by each member is as follows:

Name of Members	Number of Meeting(s) Attended During the Tenure	Attendance Rate
Mr. JIA Funing (賈福寧) (Chairman) (Note 1)	0/0	Not applicable
Mr. LI Fengli (李奉利) (Note 2)	1/1	100%
Mr. SU Jianguang (蘇建光) (Note 3)	0/0	Not applicable
Mr. FENG Boming (馮波鳴) (Note 4)	0/0	Not applicable
Mr. WANG Xinze (王新澤) (Note 5)	0/0	Not applicable
Mr. WANG Jun (王軍) (Note 6)	0/0	Not applicable
Ms. WANG Fuling (王芙玲) (Note 7)	0/0	Not applicable
Mr. JIANG Min (蔣敏)	1/1	100%
Mr. JIAO Guangjun (焦廣軍) (Note 8)	0/0	Not applicable
Mr. ZHANG Wei (張為) (Note 9)	1/1	100%
Mr. ZHANG Jiangnan (張江南) (Note 10)	0/0	Not applicable
Mr. CHU Xiaozhong (褚效忠) (Note 11)	1/1	100%
Ms. JIANG Chunfeng (姜春鳳) (Note 12)	0/0	Not applicable

- Note 1: Mr. JIA Funing (賈福寧) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2020.
- Note 2: Mr. LI Fengli (李奉利) resigned on 10 June 2020. The Company held one on-site meeting of the Strategy and Development Committee of the Board from 1 January 2020 to the date of his resignation.
- Note 3: Mr. SU Jianguang (蘇建光) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2020.
- Note 4: Mr. FENG Boming (馮波鳴) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2020.
- Note 5: Mr. WANG Xinze (王新澤) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2020.
- Note 6: Mr. WANG Jun (王軍) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2020.
- Note 7: Ms. WANG Fuling (王芙玲) was appointed on 20 May 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of her appointment up to 31 December 2020.
- Note 8: Mr. JIAO Guangjun (焦廣軍) resigned on 10 January 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from 1 January 2020 to the date of his resignation.
- Note 9: Mr. ZHANG Wei (張為) resigned on 20 May 2020. The Company held one on-site meeting of the Strategy and Development Committee of the Board from 1 January 2020 to the date of his resignation.
- Note 10: Mr. ZHANG Jiangnan (張江南) resigned on 26 March 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from 1 January 2020 to the date of his resignation.
- Note 11: Mr. CHU Xiaozhong (褚效忠) resigned on 20 May 2020. The Company held one on-site meeting of the Strategy and Development Committee of the Board from 1 January 2020 to the date of his resignation.
- Note 12: Ms. JIANG Chunfeng (姜春鳳) resigned on 26 March 2020. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from 1 January 2020 to the date of her resignation.

2. Audit Committee

The Audit Committee currently consists of three Directors, namely Ms. LI Yan (李燕), Ms. WANG Fuling (王芙玲) and Mr. LAI Kwok Ho (黎國浩), of which Ms. LI Yan (李燕) and Mr. LAI Kwok Ho (黎國浩) are both independent non-executive Directors. Ms. LI Yan (李燕) and Mr. LAI Kwok Ho (黎國浩) hold the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. Ms. LI Yan (李燕) serves as the chairman of the Audit Committee.

The primary responsibility of the Audit Committee is to review the financial information of the Company and its disclosure, oversee the financial operation status, risk management and internal control procedures of the Company, propose the appointment of external auditors and monitor their relationship with the Company and maintain close communication between the Company and its management with external auditors. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held four on-site meetings to consider and approve the resolutions, including resolutions on the Company's 2019 annual results announcement, 2019 annual report, 2019 audited financial statements, capital occupation by controlling shareholders and other related parties, Storage and actual use of raised funds in 2019, internal control evaluation report, internal control audit report, audit committee performance report, appointment of 2020 accounting firm for 2020, 2020 first quarterly report, 2020 interim results announcement, 2020 interim report, the deposit and actual use of raised funds in the first half of 2020, the 2020 third quarterly report and other proposals, and make recommendations to the Board. At the same time, the Audit Committee communicated with the external auditors on the 2019 audit results and the 2020 audit plan and other matters, and heard the internal audit report made by the head of the internal audit department.

The attendance of the on-site meetings by each member is as follows:

Name of Members	Number of Meetings Attended During the Tenure	Attendance Rate
Ms. LI Yan (李燕) (Chairman)	4/4	100%
Ms. WANG Fuling (王芙玲) (Note 1)	2/2	100%
Mr. LAI Kwok Ho (黎國浩)	4/4	100%
Mr. CHU Xiaozhong (褚效忠) (Note 2)	2/2	100%

Note 1: Ms. WANG Fuling (王芙玲) was appointed on 20 May 2020. The Company held two on-site meetings of the Audit Committee of the Board from the date of her appointment up to 31 December 2020.

Note 2: Mr. CHU Xiaozhong (褚效忠) resigned on 20 May 2020. The Company held two on-site meetings of the Audit Committee of the Board from 1 January 2020 to the date of his resignation.

Representatives of external auditors participated in some of the on-site Audit Committee meetings held in 2020.

3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. LAI Kwok Ho (黎國浩), Mr. SU Jianguang (蘇建光) and Ms. LI Yan (李燕), of which Mr. LAI Kwok Ho (黎國浩) and Ms. LI Yan (李燕) are both independent non-executive Directors. Mr. LAI Kwok Ho (黎國浩) serves as the chairman of the Remuneration Committee.

The primary responsibility of the Remuneration Committee is to consider the remuneration structures and policies for all Directors and senior management of the Company, establish formal and transparent procedures to devise such remuneration policies and formulate the remuneration packages of Directors and senior management, as well as make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one on-site meeting to consider and approve the resolution on remuneration of directors and senior management of the Company for 2020 and the resolution on purchasing liability insurance for directors, supervisors and senior management.

The attendance of the on-site meeting by each member is as follows:

Name of Members	Number of Meeting(s) Attended During the Tenure		Attendance Rate
Mr. LAI Kwok Ho (黎國浩) (Chairman)	1/1		100%
Mr. SU Jianguang (蘇建光) (Note 1)	0/0		Not applicable
Ms. LI Yan (李燕)	1/1		100%
Mr. LI Fengli (李奉利) (Note 2)	1/1		100%
Mr. JIAO Guangjun (焦廣軍) (Note 3)	0/0		Not applicable

Note 1: Mr. SU Jianguang (蘇建光) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Remuneration Committee of the Board from the date of his appointment up to 31 December 2020.

Note 2: Mr. LI Fengli (李奉利) resigned on 10 June 2020. The Company held one on-site meeting of the Remuneration Committee of the Board from 1 January 2020 to the date of his resignation.

Note 3: Mr. JIAO Guangjun (焦廣軍) resigned on 10 January 2020. The Company did not hold any on-site meetings of the Remuneration Committee of the Board from 1 January 2020 to the date of his resignation.

Pursuant to the code B.1.5 of the Corporate Governance Code under in Appendix 14 of the Hong Kong Listing Rules, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management categorized by remuneration group for the year ended 31 December 2020:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	20
2	500,001-1,000,000	7
3	1,000,001-2,000,000	2

Note:

Group 1 includes 13 Directors, 5 Supervisors and 5 senior executives of the Company, among which 3 Directors serve as part-time senior executives during the Reporting Period.

Group 2 includes 1 Director, 2 Supervisors and 4 senior executives of the Company.

Group 3 includes 1 Director and 2 senior executives of the Company, among which 1 Director serves as a senior executive of the Company during the Reporting Period.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 to the Hong Kong Listing Rules are set out in Note 8(9) Note 8(10) to the financial statements for the year.

4. Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. JIANG Min (蔣敏), Mr. JIA Funing (賈福寧) and Mr. LAI Kwok Ho (黎國浩), of which Mr. JIANG Min (蔣敏) and Mr. LAI Kwok Ho (黎國浩) are both independent non-executive Directors. Mr. JIANG Min (蔣敏) serves as the chairman of the Nomination Committee.

The primary responsibility of the nomination Committee is to develop standards and procedures for the election of the Board members and members of the senior management, and make recommendations to the Board; review the structure, number, composition and membership diversity of the Board and make appropriate recommendations for adjustments made to the Board in line with the corporate strategies of the Company; and propose to the Board candidates for Directors, General Manager, Deputy General Manager, chief financial officer and secretary to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held three on-site meetings, in which the nomination of candidates as Directors, nomination of candidates as senior management and change of members of Board committees were reviewed and approved, and recommendations were made to the Board.

The attendance of the on-site meetings by each member is as follows:

Name of Members	Number of Meeting(s) Attended During the Tenure	Attendance Rate
Mr. JIANG Min (蔣敏) (Chairman)	3/3	100%
Mr. JIA Funing (賈福寧) (Note 1)	0/0	Not applicable
Mr. LAI Kwok Ho (黎國浩)	3/3	100%
Mr. LI Fengli (李奉利) (Note 2)	2/2	100%

Note 1: Mr. JIA Funing (賈福寧) was appointed on 10 June 2020. The Company did not hold any on-site meetings of the Nomination Committee of the Board from the date of his appointment up to 31 December 2020.

Note 2: Mr. LI Fengli (李奉利) resigned on 10 June 2020. The Company held two on-site meetings of the Nomination Committee of the Board from 1 January 2020 to the date of his resignation.

The Board formulated and adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. For the year ended 31 December 2020, the Board has met the expected goal of the Board Diversity Policy and kept an appropriate balance of member structure.

The Board formulated and adopted the Policy for the Nomination of Directors of the Company. According to such policy, in evaluating and selecting candidates for directorship, the Nomination Committee and/or the Board would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidates can make to the Board in terms of qualifications, skills, experience, independence, as well as their willingness and ability to devote adequate time to discharge duties as members of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified to assume the directorship. The Nomination Committee should then recommend to the Board to appoint appropriate candidates for the directorship in the order of their ranking (if applicable) based on the needs of the Company and reference check of each candidate.

Qualified shareholders meeting requirements under laws and regulations and the Articles of Association are also eligible to nominate candidate(s) for directorship (see Procedures for Shareholders to Propose a Person for Election as a Director for more details).

III. SUPERVISORY COMMITTEE

The Supervisory Committee currently consists of six Supervisors, including two shareholder representative Supervisors, two employee representative Supervisors and two independent Supervisors. The members of the Supervisory Committee of the Company are listed below:

Member of the Supervisory Committee	Position	Date of appointment
Mr. ZHANG Qingcai (張慶財)	Chairman of the Supervisory Committee, Shareholder representative Supervisor	17 May 2019
Mr. WANG Yaping (王亞平)	Independent Supervisor	17 May 2019
Mr. YANG Qiulin (楊秋林)	Independent Supervisor	17 May 2019
Mr. LIU Shuiguo (劉水國)	Employee representative Supervisor	17 May 2019
Mr. XIA Xiliang (夏希亮) (Note 1)	Shareholder representative Supervisor	10 June 2020
Ms. WANG Xiaoyan (王曉燕)	Employee representative Supervisor	17 May 2019
Mr. LI Wucheng (李武成) (Note 2)	Shareholder representative Supervisor	17 May 2019

Note 1: Mr. XIA Xiliang (夏希亮) was appointed as the shareholder representative Supervisor of the Company on 10 June 2020.

Note 2: Mr. LI Wucheng (李武成) resigned as the shareholder representative Supervisor of the Company due to the adjustment of work arrangement on 26 March 2020.

Shareholder representative Supervisors and independent Supervisors are elected and removed at the general meeting, while employee representative Supervisors are democratically elected or replaced at the staff representative assembly. Each supervisor will hold offices until the annual general meeting for the year 2021 to be held in 2022, and is subject to re-election for re-appointment when terms of office as Supervisor expire.

Biography of each supervisor is set out in the section headed “Directors, Supervisors and Senior Management”.

During the Reporting Period, the Supervisory Committee held four on-site meetings and the Company held three general meetings in total. The attendance of the meetings by each Supervisor is as follows:

Name of Supervisors	Number of Meetings of the Supervisory Committee Attended During the Tenure		Number of General Meeting(s) Attended During the Tenure	
	Attendance Rate		Attendance Rate	
Mr. ZHANG Qingcai (張慶財) (Chairman of the Supervisory Committee)	4/4	100%	3/3	100%
Mr. WANG Yaping (王亞平)	4/4	100%	3/3	100%
Mr. YANG Qiulin (楊秋林)	4/4	100%	3/3	100%
Mr. LIU Shuiguo (劉水國)	4/4	100%	3/3	100%
Mr. XIA Xiliang (夏希亮) (Note 1)	2/2	100%	0/0	Not applicable
Ms. WANG Xiaoyan (王曉燕)	4/4	100%	3/3	100%
Mr. LI Wucheng (李武成) (Note 2)	0/0	Not applicable	0/0	Not applicable

Note 1: Mr. XIA Xiliang (夏希亮) was appointed on 10 June 2020. The Company held two on-site Supervisory Committee meetings and did not hold any general meetings from the date of his appointment up to 31 December 2020.

Note 2: Mr. LI Wucheng (李武成) resigned on 26 March 2020. The Company did not hold any Supervisory Committee meetings or general meetings from 1 January 2020 to the date of his resignation.

The performance of responsibilities by the Supervisory Committee is set out under the section headed “Supervisors’ Report”.

IV. CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board of Directors;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, 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 Hong Kong Listing Rules and disclosure in the Corporate Governance Report.

V. JOINT COMPANY SECRETARIES

Due to work adjustment, Mr. CHEN Fuxiang resigned as the company secretary of the Company on 20 July 2020, and Mr. LIU Yongxia ("**Mr. LIU**") was appointed as the joint company secretary on the same day. In order to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules, the Company appointed Ms. LEUNG Suet Wing ("**Ms. LEUNG**"), a manager of the Listing Services Department of TMF Hong Kong Limited (company secretarial service provider), serves as the joint company secretary.

During the Reporting Period, Mr. LIU and Ms. LEUNG as the joint company secretaries of the Company, had complied with the requirements on taking no less than 15 hours of relevant professional trainings as set out in Rule 3.29 of the Hong Kong Listing Rules. Meanwhile, Mr. LIU and Ms. LEUNG also actively participated in studies and updated their professional knowledge related to the Hong Kong Listing Rules and corporate governance to continuously improve their professional skills as the Company Secretary. The main contact person of the Company is Mr. LIU, one of the Company's joint company secretaries.

VI. AUDITOR

Financial statements contained in this annual report have been audited by PricewaterhouseCoopers Zhong Tian LLP. Service fees which shall be paid by the Company to PricewaterhouseCoopers Zhong Tian LLP for the year amounted to RMB9.665 million (value-added tax and other related tax included). The non-audit services primarily comprise DCF non-audit assurance services of subsidiaries.

Services rendered	Fees Payable (RMB)
Audit service for listed company	6,110,000
Other audit services of the Group	3,160,000
Non-audit services	395,000
	<hr/>
Total	9,665,000
	<hr/> <hr/>

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to establishing high level risk management and internal control systems to safeguard the Company's assets and shareholders' investment. Systems and procedures in relation to risk management are set up to identify, measure, manage and control risks that include but are not limited to strategic, market, financial, operational and legal risk that may have an impact on the Company. The Company has defined the overall business structure of the Company and its subsidiaries, which detailed lines of authority and controls responsibilities in each business unit of the Company, to allow segregation of duties as well as to increase accountability, and has set up a procedure manual to regulate business processes and activities. The Company has established relevant measures to cope with the material internal control defects identified. The Board will carefully evaluate the possibility and potential impacts of the internal control defects, the management will assist the Board to formulate corrective measures and implement them to ensure these control defects are properly resolved in a timely manner.

The Board is responsible for assessing and determining the nature and extent of the risks willing to be accepted for achieving strategic objectives on an annual basis and continuously oversees the design, implementation and monitoring of the risk management and internal control systems by the management to ensure its safe and effective operation, and has formulated Rules on Internal Control Management, Rules on Overall Risk Management, and Rules on Internal Auditing. The Audit Committee established by the Board makes recommendations to the Board on the formulation and implementation of risk management and internal control systems within their terms of reference, reviews the effectiveness of the Company's risk management, internal control systems and internal audit system and assists the Board to oversee the Company's risk management and internal control systems on an ongoing basis.

The Company has adopted the following measures in order to establish effective risk management and internal control:

1. Compliance Control

The Company deepened the organizational reform, abolished the Strategic Planning Department and established a new Corporate Management Department to assume the functions of strategic planning, macro management research, management of physical assets, standardized management and performance assessment, and further rationalized and adjusted the organizational functions and strengthened the organizational protection. The Company has established a set of corporate governance mechanism to promote compliance operation of the general meetings to promote the compliance operation of the shareholders' general meetings, Supervisory Committee and the Board. The Company is also complied with the requirements of the Hong Kong Listing Rules, SFO and the Guidelines on Disclosure of Inside Information that it regulates information disclosure matters. The Company continues to strengthen connected transactions management, increase frequency of regular review for continuing connected transactions and perform related approval and disclosure obligations according to the requirements of the Hong Kong Listing Rules.

The procedures and internal controls for the identifying, handling, and publishing inside information by the Company include: (1) formulating and implementing relevant supporting systems, including the Management Measures Governing Information Disclosure, by the Board, and establishing the comprehensive process of reporting, identifying, and disclosing inside information to ensure that the disclosure of inside information is in compliance; (2) by means of training and instruction, fully informing relevant staffs, including members of the Board, the Supervisory Committee, and the management, of the obligations on information disclosure as stipulated under the Hong Kong Securities and Futures Commission's Guidelines on Disclosure of Inside Information and the Hong Kong Listing Rules; and (3) dispatching information to specific personnel on a need-to-know basis, putting emphasis on the prohibition of unauthorised use of confidential or inside information, and conducting the confidential work preceding the disclosure of insider information if necessary.

2. Operation Control

The Company adjusts development initiatives timely by observing and evaluating the macroeconomic policies and operating conditions, the national industrial policies, and the industrial supply-demand conditions, in order to reduce market risk. The Company has established hierarchy control and approval mechanism for rate, cargo handover and delivery, and supervision of goods pledge to strengthen control through the whole process. The Company implements centralized procurement management, strictly inspects the procurement process of large-scale equipment and bulk goods and services to prevent procurement risk. The Company formulates a set of system on authorization management, contract management and seal management to strengthen contract risk control. The Company has also established safety accountability system and safety management system to safeguard the safety in production and operation of ports. The Company has established a system of information management, contract management and seal management to strengthen contract risk control.

3. Investment Control

The Company has implemented centralized procedures of examination and approval on external investments of the Company itself and its subsidiaries, and established a set of management process, ranging from project screening, decision approval, disposal of investment and risk control. In the view that the Company has many joint venture companies, the Company has also set up specialized management system for joint venture companies. The Company has established and optimized the engineering project management system, standardized the work flows of project establishment, bidding, construction, acceptance, cost and other sections to ensure the quality, progress and capital safety of engineering projects.

4. Finance Control

The Company has established a series of financial management measures, including business outsourcing, fixed assets leasing, insurance services, receivables, financing management, bank accounts management and notes management, etc. to effectively prevent and reduce finance risk. The Company has implemented comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and management. The Company implemented a centralized appointment and regular rotation system for financial personnel management, and the Company implemented material matters real time reporting system for delegated units and strengthened centralized control. The Audit Committee communicates with auditors and the management regularly to review the regular reports, as well as supervise the financial operation. The Company also pays high attention to the job qualifications and professional integrity of accounting and financial personnel and the Company takes full consideration of resources and budget of continuous trainings. The Board has also reviewed and satisfied with the Group's resources, staff qualification and experience on accounting and financial ability, and the training programs received by staffs and such budget are sufficient.

5. Internal Audit Control

The Company establishes a supervision department with corresponding supervision and audit responsibility, and the Company provides qualified designated personnel to assist the Audit Committee and Supervisory Committee to review and supervise the factuality, legitimacy and efficiency for the Group's financial revenues and expenses, financial budget, asset quality, operation performance, construction projects and related economic activities, so as to strengthen internal control and risk management.

In 2020, the Company conducted an annual evaluation of its risk management and internal control systems. The method, findings, analysis and results of the evaluation have been reported to the Audit Committee and the Board. The Company engaged PricewaterhouseCoopers Zhong Tian LLP to conduct audit on the Company's internal control. The auditor was of the view that the Company maintained effective internal control in financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and related regulations as at 31 December 2020. The Board discussed the risk management and internal control systems (including financial, operational and compliance control, etc.) of the Company and its subsidiaries and was of the opinion that the risk management and internal control systems of the Company were adequate and effective. The Board was of the opinion that the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

VIII. INVESTOR RELATIONS

1. General Meetings and Shareholder's Rights

The Company is committed to maintaining communication with shareholders. Shareholders are encouraged to attend general meetings held by the Company and are invited to express their views and raise questions. The general meetings of the Company are divided into annual general meetings and extraordinary general meeting; and general meetings of the shareholders and class shareholder's meetings.

The annual general meeting is convened once a year within six months after the end of last fiscal year. The extraordinary general meeting is convened irregularly. In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Board Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Board of the Company shall as soon as possible proceed to convene the extraordinary general meeting or a class shareholder's meeting after receiving the above written requisition.

The Company shall issue a written notice 20 days before the meeting is held for the annual general meeting. A written notice shall be issued to the shareholders 15 days before the convening of an extraordinary general meeting, which specifies the matters to be considered and date and venue of the meeting. Where the laws, regulations and listing rules in the jurisdiction where the shares of the Company are listed stipulate the aforesaid matters otherwise, such provisions shall prevail. Shareholders who individually or jointly hold more than 3% of the shares of the Company are entitled to submit a temporary proposal to the Board in writing 10 days before the general meeting; the Board shall issue a supplemental notice of the general meeting within 2 days upon receiving the proposal and publish an announcement for the extraordinary proposals. The proposals shall be within the scope of authority of the shareholders' meeting, and shall have clear object and detailed agenda items, and shall comply with laws, administrative regulations and the Articles of Association.

Directors, Supervisors and the Board Secretary (the Joint Company Secretary) to the Board are present at the general meetings, while General Manager, Deputy General Manager, Chief Financial Officer and external auditor of the Company attend general meetings as non-voting attendees to respond to shareholders' questions in relation to proposed resolutions seeking approval at the meetings. The circular containing information relating to the general meetings will be dispatched to all the shareholders before the convening of the general meeting as required.

Minutes of meetings of the general meetings are kept in the Company. A shareholder shall be entitled to inspect copies of minutes of meetings free of charge during office hours of the Company or pay reasonable fees to the Company in order to obtain copies of minutes of meetings.

In the annual general meeting of the Company held on 10 June 2020, the chairman of the meeting demanded that all resolutions to be passed by poll, among which, cumulative voting system was adopted for election of Directors at the meeting. The chairman had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding the annual report for 2019, the profit distribution plan for 2019 and the elections of Directors and Supervisors were considered and approved. For details, please refer to the announcement of the Company regarding the poll results dated 10 June 2020.

2. Amendments to Constitutional Document

The Company amended the Articles of Association at the 2019 annual general meeting of shareholders, the first A Shareholders' class meeting of 2020, and the first H Shareholders' class meeting of 2020 held on 10 June 2020, the amended version continues to be valid as at the date of this report. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

3. Information Disclosure

The Company insists the principles of sufficiency, compliance, equality of opportunity, honest and trustworthy, focusing on efficiency and interactive communication, and discloses the Company's information in a timely and precise manner according to the requirements of the Hong Kong Listing Rules.

The Company prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, timeliness and fairness. It continuously enhanced the pertinence, effectiveness and transparency of information disclosure in order to guarantee investors' access to relevant information and ensure that the investors in the mainland China and Hong Kong are provided with equal opportunity to access relevant information. It carefully organised compliance analysis and disclosure of material events, as well as actively exploring voluntary information disclosure to provide more timely, comprehensive and effective information to investors.

To promote effective communication, the Company also publishes information such as latest announcement and business development of the Group in a timely manner on the Company's website, through which shareholders and investors can immediately grasp the latest business condition and dynamic condition of the Company.

4. Investor Relations Management

The Company pays much attention to the management work of investor relations, and regards investor relations as an important aspect of corporate governance. The Company has established "Investor Relations Management System" and "Implementation Rules for Investor Relations", with secretary to the Board being responsible for the overall coordination and arrangement of the management work of investor relations, and general office of the Board being responsible for specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors.

During this year, in order to allow investors fully understand the results performance, operation strategy and development prospects of the Company, the Company has held various activities, including results conference, results road show, analysts on-site meeting, and teleconference, etc., through which the Company has deep communication with investors and related persons.

Furthermore, the office of the Board reports investors' perception of the Company and relevant development to the management regularly, so that the management can understand the concerns of investors and the changes of relevant policies and requirements in time, thus improving its work on investor relations management.

The Company considers the management of investor relations as a long-term systematic project. Looking forward, the Company will continuously review and improve its work on investor relations management at appropriate time in accordance with the regulatory requirements of the Hong Kong Stock Exchange, the development trend of the capital market and investors' expectation, keep contact with domestic and oversea investors and maintain a good image in the capital market.

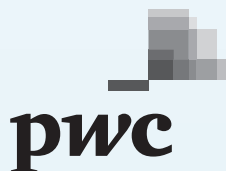
Shareholders and investors of the Company may send their enquiries and concerns to the Company by addressing them to the general office of the Board. The contact details are as follows:

General Office of the Board

Tel: 86-532-82982133

E- mail: qggj@qdport.com

Address: 7 Gangji Road, City North District, Qingdao, Shandong Province, the People's Republic of China



普华永道

PwC ZT Shen Zi (2021) No. 10102

To the Shareholders of Qingdao Port International Co., Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Qingdao Port International Co., Ltd. (hereinafter “Qingdao Port International Company”), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Qingdao Port International Company as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Qingdao Port International Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

普华永道中天会计师事务所(特殊普通合伙)
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Provision for early retirement benefits and supplemental retirement benefits obligations
- Estimates on the bad debt provision for accounts receivable

Key Audit Matter

Provision for early retirement benefits and supplemental retirement benefits obligations

Please refer to Note 2 (19)(b)(c), (30)(b)(ii) and Note 4(36) long-term employee benefits payable.

As at 31 December 2020, Qingdao Port International Company has recognised liabilities in connection with the provisions for early retirement benefits and supplemental retirement benefits of approximately RMB57.80 million and RMB2,410.39 million, respectively.

The liabilities in connection with the early retirement benefits and supplemental retirement benefits are determined on an actuarial basis based on different assumptions. Qingdao Port International Company has engaged a third-party actuary to conduct actuarial valuation on the aforesaid early retirement benefits and supplemental retirement benefits obligations. Changes in the key actuarial assumptions (including discount rates, benefits growth rates and mortality etc.) can have a material impact on the provision for the related retirement benefits obligations. The selection of those actuarial assumptions requires significant judgements and estimates.

We regard this area as a key audit matter because the provision for early retirement benefits and supplemental retirement benefits obligations requires significant judgements and estimates and also the amounts involved are significant.

How our audit addressed the Key Audit Matter

We evaluated and validated the effectiveness of Qingdao Port International Company's key internal controls over the provision for early retirement benefits and supplemental retirement benefits obligations, including management's review and approval of the adoption of key assumptions. When assessing the risk of material misstatement, the degree of uncertainty in accounting estimates related to the provision for early retirement benefits and supplemental retirement benefits and the level of other inherent risk factors are considered.

We evaluated the capability, professionalism and objectivity of the third-party actuary.

We involved our internal actuarial experts to assist us in evaluating the reasonableness of management's benefit plan and the key assumptions as adopted by the third-party actuary, including the basis for evaluating changes in benefits policies and assumptions. The evaluation works include comparing the discount rates as adopted with the spot rate of treasury bonds as of the balance sheet date, checking the mortality used to the China Life Insurance Mortality Table, comparing the growth rates of various benefits with Qingdao Port International Company's benefits policies and historical information, the historical price indexes as announced by The National Bureau of Statistics of the People's Republic of China, considering the potential impact if these assumptions are to be changed within a reasonable range, as well as through independent calculating to review the results of third-party actuary.

We checked the relevant documents of benefit plans and verified the source data (e.g. basic information of employees and benefits payments for the current period etc.) as used by the actuary via sampling methods.

We found that the management's judgements and estimates on the assumptions as adopted for the provisions for early retirement benefits and supplemental retirement benefits obligations are within an acceptable extent.

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Estimates on the bad debt provision for accounts receivable

Please refer to Note 2(9), (30)(b)(iii) and Note 4(d) the bad debt provision for accounts receivable.

The gross carrying amount of accounts receivable amounted to RMB3,210.80 million and a provision for impairment of RMB228.19 million has been recognised as at 31 December 2020.

Qingdao Port International Company measures the provision of accounts receivable based on the lifetime ECL. If there exists objective evidence that the amount cannot be collected under the original terms of the accounts receivable, the ECL shall be separately accrued.

When there is no information at reasonable cost to assess the ECL on the individual basis, Qingdao Port International Company classifies receivables into certain groupings based on their credit risk characteristics and measures ECL according to exposure at default and lifetime ECL rate on the grouping basis, and determines ECL rate based on probability of default and loss given default.

When determining the ECL, Qingdao Port International Company uses internal historical credit loss experience and other data, combining with current conditions and forward-looking information to adjust the historical data. When considering forward-looking information, Qingdao Port International Company has considered different macroeconomic scenarios and important macroeconomic assumptions and parameters, as well as the impact of the uncertainty caused by COVID-19 on related assumptions and parameters.

We regard this area as a key audit matter because the amounts involved are significant and Qingdao Port International Company made significant estimate and judgement in determining the impairment of accounts receivable.

How our audit addressed the Key Audit Matter

We evaluated and validated the effectiveness of Qingdao Port International Company's key internal controls over the management of accounts receivable and measurement of Expected Credit Loss ("ECL"). When assessing the risk of material misstatement, the degree of uncertainty in accounting estimates related to the provision for bad debts of accounts receivable and the level of other inherent risk factors are considered.

For accounts receivable assessed on the individual basis, we have reviewed the management's basis for assessing expected credit losses such as the customer's financial status and credit status, historical repayment records, and forecasts of future economic conditions. And we verify the management's assessment with the evidence we obtained during the audit.

For accounts receivable which the ECL is measured based on the groupings of credit risk characteristics, we have reviewed whether the management's judgment on the classification of the groupings and the common risk characteristics is reasonable. We used the work of internal experts to assist us in evaluating the assumptions about management's ECL measurement method of accounts receivable, historical default loss rates, and forward-looking adjustment coefficients. The assessment of the forward-looking adjustment coefficient takes into account the impact of COVID-19 and the weight of different macroeconomic scenarios, and the economic indicators used by the management were checked with external data sources. On this basis, the ECL were recalculated to verify the rationality of management's calculation of ECL.

We conducted external confirmation, checked the accuracy of the aging of accounts receivable by inspecting the related supporting documents (such as operation records and invoices etc.), and checked the status of subsequent recoverability of accounts receivable on sample basis.

We found that there was evidence to support the management's judgements and estimates on the recoverability of accounts receivable.

OTHER INFORMATION

Management of the Qingdao Port International Company is responsible for the other information. The other information comprises all of the information included in 2020 annual report of Qingdao Port International Company other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management of the Qingdao Port International Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Qingdao Port International Company'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 management either intend to liquidate Qingdao Port International Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing Qingdao Port International Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgements and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Qingdao Port International Company'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 these 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 Qingdao Port International Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qingdao Port International Company 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 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.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
29 March 2021

Signing CPA
Jia Na (Engagement Partner)

Signing CPA
Lv Yongzheng

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4	31 December 2020	31 December 2019
Current assets			
Cash at bank and on hand	(1)	8,548,976,734	6,846,399,847
Financial assets held for trading	(2)	1,121,813,078	952,673,153
Notes receivable	(3)	52,322,799	89,208,129
Accounts receivable	(4)	2,982,613,568	2,337,733,076
Financing receivables	(5)	528,732,800	705,149,454
Advances to suppliers	(6)	102,314,994	65,477,940
Other receivables	(7)	2,273,191,624	1,825,685,161
Inventories	(8)	137,327,278	208,760,886
Contract assets	(9)	62,830,443	194,622,693
Current portion of non-current assets	(11)	59,127,841	445,754,126
Other current assets	(10)	3,100,048,118	6,214,206,368
Total current assets		18,969,299,277	19,885,670,833
Non-current assets			
Long-term receivables	(11)	3,308,404,670	1,528,631,526
Long-term equity investments	(12)	9,871,753,951	9,139,130,196
Other non-current financial assets	(13)	586,308,466	538,096,854
Investment properties	(14)	170,522,903	177,094,885
Fixed assets	(15)	16,168,130,367	14,341,335,334
Construction in progress	(16)	3,068,902,274	2,510,614,143
Right-of-use assets	(17)	311,822,056	541,354,681
Intangible assets	(18)	2,914,515,994	2,568,407,616
Goodwill	(19)	48,683,209	20,686,493
Long-term prepaid expenses		27,145,518	28,601,553
Deferred tax assets	(20)	920,319,850	906,362,986
Other non-current assets	(21)	811,556,445	599,314,295
Total non-current assets		38,208,065,703	32,899,630,562
TOTAL ASSETS		57,177,364,980	52,785,301,395

CONSOLIDATED BALANCE SHEET

As at 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 4	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings	(23)	135,133,306	128,596,572
Notes payable	(24)	890,180,633	1,164,769,783
Accounts payable	(25)	1,197,290,688	1,411,666,083
Advances from customers		6,453,928	22,251,659
Contract liabilities	(26)	148,693,164	245,532,722
Employee benefits payable	(27)	440,016,032	308,496,016
Taxes payable	(28)	256,377,041	248,863,830
Other payables	(29)	9,421,058,097	7,200,531,814
Current portion of non-current liabilities	(30)	2,288,917,202	235,633,528
Other current liabilities		8,474,375	—
Total current liabilities		14,792,594,466	10,966,342,007
Non-current liabilities			
Long-term borrowings	(31)	109,708,639	132,882,988
Bonds payable	(32)	—	2,116,900,000
Lease liabilities	(33)	139,109,235	378,301,316
Long-term payables	(34)	40,973,544	43,095,019
Provisions		9,765,192	7,053,463
Deferred income	(35)	280,047,491	213,850,289
Long-term employee benefits payable	(36)	2,326,560,000	2,419,020,000
Deferred tax liabilities	(20)	54,031,756	22,295,437
Other non-current liabilities	(37)	2,683,842,524	2,888,198,834
Total non-current liabilities		5,644,038,381	8,221,597,346
Total liabilities		20,436,632,847	19,187,939,353
Shareholders' equity			
Share capital	(38)	6,491,100,000	6,491,100,000
Capital surplus	(39)	12,318,673,889	12,326,352,961
Other comprehensive income	(40)	287,298,275	182,668,672
Specific reserve		4,279,187	3,914,265
Surplus reserve	(41)	1,617,193,102	1,278,378,901
General risk reserve	(42)	411,248,470	380,586,794
Undistributed profits	(43)	11,866,599,218	9,694,379,282
Total equity attributable to shareholders of the Company		32,996,392,141	30,357,380,875
Minority interests		3,744,339,992	3,239,981,167
Total Shareholders' equity		36,740,732,133	33,597,362,042
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		57,177,364,980	52,785,301,395

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY BALANCE SHEET

As at 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 16	31 December 2020	31 December 2019
Current assets			
Cash at bank and on hand	(1)	8,333,996,251	8,265,088,114
Financial assets held for trading		220,000,000	—
Notes receivable		8,219,152	18,667,204
Accounts receivable	(2)	1,219,976,288	996,445,768
Financing receivables	(3)	286,445,752	451,458,292
Advances to suppliers		28,137,650	25,263,063
Other receivables	(4)	700,894,981	581,863,915
Inventories		62,098,053	80,568,215
Contract assets		49,231,610	93,879,526
Current portion of non-current assets	(5)	433,352,280	624,635,554
Other current assets		72,543,846	36,686,394
Total current assets		11,414,895,863	11,174,556,045
Non-current assets			
Long term receivables	(5)	2,103,000,000	1,858,000,000
Long-term equity investments	(6)	15,175,058,130	13,991,521,234
Other non-current financial assets		71,421,487	71,421,487
Investment properties	(7)	1,376,919,138	1,489,093,569
Fixed assets	(8)	7,686,460,150	7,826,781,172
Construction in progress	(9)	2,045,778,428	1,333,853,492
Right-of-use assets		113,794,210	126,126,432
Intangible assets	(10)	2,118,457,836	2,073,151,241
Long-term prepaid expenses		3,433,631	3,916,088
Deferred tax assets		41,294,915	37,658,479
Other non-current assets		389,819,151	261,044,621
Total non-current assets		31,125,437,076	29,072,567,815
TOTAL ASSETS		42,540,332,939	40,247,123,860

COMPANY BALANCE SHEET

As at 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 16	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings		492,801,545	358,239,543
Notes payable		408,914,009	245,580,933
Accounts payable		574,635,530	467,119,764
Advances from customers		6,446,235	15,467,645
Contract liabilities		109,583,678	135,665,425
Employee benefits payable		319,497,688	240,552,578
Taxes payable		44,252,776	56,343,229
Other payables		657,655,859	433,282,327
Current portion of non-current liabilities		2,196,290,190	83,169,099
Other current liabilities		6,259,510	—
Total current liabilities		4,816,337,020	2,035,420,543
Non-current liabilities			
Bonds payable		—	2,116,900,000
Lease liabilities		54,080,491	80,955,456
Long-term payables		40,973,544	43,095,019
Provisions		9,765,192	7,053,463
Deferred income		138,433,588	140,389,104
Long-term employee benefits payable		1,763,450,000	2,081,760,000
Other non-current liabilities		2,683,842,524	2,888,115,299
Total non-current liabilities		4,690,545,339	7,358,268,341
Total liabilities		9,506,882,359	9,393,688,884
Shareholders' equity			
Share capital		6,491,100,000	6,491,100,000
Capital surplus	(12)	16,247,471,564	16,255,150,636
Other comprehensive income	(13)	291,230,000	191,510,000
Surplus reserve		1,617,193,102	1,278,378,901
Undistributed profits	(14)	8,386,455,914	6,637,295,439
Total shareholders' equity		33,033,450,580	30,853,434,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,540,332,939	40,247,123,860

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2020	For the year ended 31 December 2019
1. Revenue	(44)	13,219,413,890	12,164,080,973
Less: Cost of sales	(44),(48)	(8,487,597,332)	(8,178,690,909)
Taxes and surcharges	(45)	(104,591,148)	(108,501,298)
Selling and distribution expenses	(48)	(40,621,861)	(36,990,125)
General and administrative expenses	(46),(48)	(637,286,906)	(503,215,842)
Research and development expenses	(18),(48)	(20,178,352)	(33,764,127)
Financial expenses	(47)	13,380,022	207,915,807
Including: Interest expenses		207,835,967	222,507,080
Interest income		356,399,859	502,162,922
Add: Other income	(49)	88,907,845	122,080,426
Investment income	(50)	1,550,902,088	1,492,273,337
Including: Investment income from associates and joint ventures		1,289,230,148	1,381,207,816
Gains on changes in fair value		2,195,578	8,996,486
Credit impairment losses	(51)	(93,152,905)	(26,902,470)
Asset impairment losses		12,432,618	2,500,876
Gains on disposal of assets		17,725,923	3,453,170
2. Operating profit		5,521,529,460	5,113,236,304
Add: Non-operating income		13,110,299	31,883,637
Less: Non-operating expenses		(9,442,814)	(18,314,524)
3. Total profit		5,525,196,945	5,126,805,417
Less: Income tax expenses	(52)	(1,104,837,067)	(994,203,437)
4. Net profit		4,420,359,878	4,132,601,980
Classified by continuity of operations			
Net profit from continuing operations		4,420,359,878	4,132,601,980
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Minority interests		578,496,735	342,458,662
Attributable to shareholders of the Company		3,841,863,143	3,790,143,318

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2020	For the year ended 31 December 2019
5. Other comprehensive income, net of tax	(40)	103,989,290	47,373,831
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		106,408,100	51,274,802
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		(1,778,497)	(2,300,318)
Attributable to minority shareholders, net of tax		(640,313)	(1,600,653)
6. Total comprehensive income		<u>4,524,349,168</u>	<u>4,179,975,811</u>
Attributable to shareholders of the Company		3,946,492,746	3,839,117,802
Attributable to minority interests		577,856,422	340,858,009
7. Earnings per share			
Basic earnings per share(RMB)	(53)(a)	0.59	0.59
Diluted earnings per share(RMB)	(53)(b)	0.59	0.59

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY INCOME STATEMENT

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	For the year ended 31 December 2020	For the year ended 31 December 2019
1. Revenue	(15)	6,455,453,540	5,779,037,865
Less: Cost of sales	(15),(17)	(4,697,991,952)	(4,144,229,248)
Taxes and surcharges		(75,245,340)	(84,016,892)
Selling and distribution expenses	(17)	(28,609,321)	(24,546,853)
General and administrative expenses	(17)	(272,583,845)	(305,549,526)
Research and development expenses	(17)	(7,832,088)	(15,183,607)
Financial expenses	(16)	(159,426,050)	92,502,171
Including: Interest expenses		104,139,337	109,582,613
Interest income		45,371,777	269,494,788
Add: Other income		34,246,402	21,700,400
Investment income	(18)	2,510,948,841	1,980,625,599
Including: Investment income from associates and joint ventures		1,276,523,231	1,377,429,564
Credit impairment losses	(11)	(14,511,498)	(13,341,104)
Asset impairment losses	(11)	2,868,422	2,325,217
Gains on disposal of assets		20,800,607	3,861,014
2. Operating profit		3,768,117,718	3,293,185,036
Add: Non-operating income		10,878,117	24,091,715
Less: Non-operating expenses		(4,976,147)	(12,699,352)
3. Total profit		3,774,019,688	3,304,577,399
Less: Income tax expenses	(19)	(385,877,682)	(390,531,528)
4. Net profit		3,388,142,006	2,914,045,871
Classified by continuity of operations			
Net profit from continuing operations		3,388,142,006	2,914,045,871
Net profit from discontinued operations		—	—
5. Other comprehensive income, net of tax		99,720,000	53,800,000
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		99,720,000	53,800,000
6. Total comprehensive income		3,487,862,006	2,967,845,871

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2020	For the year ended 31 December 2019
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		13,077,662,393	11,824,872,811
Cash received relating to other operating activities	(54)(a)	695,184,669	538,911,285
Sub-total of cash inflows		13,772,847,062	12,363,784,096
Cash paid for goods and services		(6,455,848,133)	(5,786,216,440)
Cash paid to and on behalf of employees		(2,045,804,316)	(2,197,240,477)
Payments of taxes and surcharges		(1,474,124,770)	(1,254,140,485)
Cash paid relating to other operating activities	(54)(b)	(192,073,732)	(160,196,924)
Sub-total of cash outflows		(10,167,850,951)	(9,397,794,326)
Net cash flows from operating activities	(55)(a)	3,604,996,111	2,965,989,770
2. Cash flows from investing activities			
Cash received from disposal of investments		31,113,670,061	35,949,559,465
Cash received from returns on investments		1,526,104,277	1,753,786,173
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		23,187,886	13,962,768
Net cash received from disposal of subsidiaries and other business units	(55)(b)	—	4,773,847
Cash received relating to other investing activities	(54)(c)	2,286,858,337	3,570,480,022
Sub-total of cash inflows		34,949,820,561	41,292,562,275
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,987,861,970)	(2,324,441,106)
Cash paid to acquire investments		(28,110,710,906)	(37,948,844,063)
Cash paid to acquire subsidiaries	(55)(b)	(148,807,287)	—
Cash paid relating to other investing activities	(54)(d)	(4,768,429,279)	(2,995,342,203)
Sub-total of cash outflows		(36,015,809,442)	(43,268,627,372)
Net cash flows used in investing activities		(1,065,988,881)	(1,976,065,097)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2020	For the year ended 31 December 2019
3. Cash flows from financing activities			
Cash received from capital contributions		97,400,000	2,521,650,805
Including: Cash received from capital contributions by minority shareholders of subsidiaries		97,400,000	542,721,037
Cash received from borrowings		676,731,504	1,502,511,804
Cash received relating to other financing activities	(54)(e)	1,645,438,911	835,735,174
Sub-total of cash inflows		<u>2,419,570,415</u>	<u>4,859,897,783</u>
Cash repayments of borrowings		(764,568,796)	(2,955,450,283)
Cash payments for distribution of dividends, profits or interest expenses		(1,529,477,708)	(2,731,749,365)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(73,763,095)	(68,459,957)
Cash paid relating to other financing activities	(54)(f)	(541,931,773)	(194,681,721)
Sub-total of cash outflows		<u>(2,835,978,277)</u>	<u>(5,881,881,369)</u>
Net cash flows used in financing activities		<u>(416,407,862)</u>	<u>(1,021,983,586)</u>
4. Effect of foreign exchange rate changes on cash		<u>(44,808,118)</u>	<u>16,026,344</u>
5. Net increase/(decrease) in cash	(55)(a)	2,077,791,250	(16,032,569)
Add: Cash at the beginning of the year		3,998,246,081	4,014,278,650
6. Cash at the end of the year	(55)(a)	<u>6,076,037,331</u>	<u>3,998,246,081</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	5,208,550,027	3,931,822,253
Cash received relating to other operating activities	279,623,425	405,313,326
Sub-total of cash inflows	5,488,173,452	4,337,135,579
Cash paid for goods and services	(2,129,922,534)	(1,406,218,413)
Cash paid to and on behalf of employees	(1,288,467,764)	(1,367,721,696)
Payments of taxes and surcharges	(572,001,000)	(607,621,447)
Cash paid relating to other operating activities	(138,985,271)	(69,826,293)
Sub-total of cash outflows	(4,129,376,569)	(3,451,387,849)
Net cash flows from operating activities	1,358,796,883	885,747,730
2. Cash flows from investing activities		
Cash received from disposal of investments	7,568,531,500	23,307,008,679
Cash received from returns on investments	2,038,453,172	1,996,741,870
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	22,636,336	6,477,527
Net cash received from disposal of subsidiaries and other business units	54,475,830	13,174,044
Cash received relating to other investing activities	1,057,000,000	1,143,018,634
Sub-total of cash inflows	10,741,096,838	26,466,420,754
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(894,607,247)	(788,556,076)
Cash paid to acquire investments	(7,251,216,325)	(23,612,528,239)
Cash paid relating to other investing activities	(1,152,192,700)	(1,132,999,999)
Sub-total of cash outflows	(9,298,016,272)	(25,534,084,314)
Net cash flows from investing activities	1,443,080,566	932,336,440

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
3. Cash flows from financing activities		
Cash received from capital contributions	—	1,978,929,768
Cash received from borrowings	<u>571,169,949</u>	<u>357,800,000</u>
Sub-total of cash inflows	<u>571,169,949</u>	<u>2,336,729,768</u>
Cash repayments of borrowings	(436,800,000)	(1,542,100,000)
Cash payments for distribution of dividends, profits or interest expenses	(1,400,024,863)	(2,582,503,723)
Cash paid relating to other financing activities	<u>(25,113,023)</u>	<u>(30,054,568)</u>
Sub-total of cash outflows	<u>(1,861,937,886)</u>	<u>(4,154,658,291)</u>
Net cash flows used in financing activities	<u>(1,290,767,937)</u>	<u>(1,817,928,523)</u>
4. Effect of foreign exchange rate changes on cash	<u>(29,200,425)</u>	<u>10,131,815</u>
5. Net increase in cash	<u>1,481,909,087</u>	<u>10,287,462</u>
Add: Cash at the beginning of the year	<u>6,829,500,453</u>	<u>6,819,212,991</u>
6. Cash at the end of the year	<u><u>8,311,409,540</u></u>	<u><u>6,829,500,453</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Undistributed profits		
Balance at 31 December 2018		6,036,724,000	10,777,968,793	133,694,188	3,399,949	986,974,314	298,283,806	8,742,614,209	2,439,864,984	29,419,524,243
Movements for the year ended 31 December 2019										
Total comprehensive income										
Net profit		—	—	—	—	—	—	3,790,143,318	342,458,662	4,132,601,980
Other comprehensive income	(40)	—	—	48,974,484	—	—	—	—	(1,600,653)	47,373,831
Total comprehensive income for the year		—	—	48,974,484	—	—	—	3,790,143,318	340,858,009	4,179,975,811
Capital contribution and withdrawal by shareholders										
Ordinary shares held by shareholders	(38),(39)	454,376,000	1,524,553,768	—	—	—	—	—	—	1,978,929,768
Capital contribution by minority shareholders in subsidiaries	(39)	—	15,245,576	—	—	—	—	—	527,475,461	542,721,037
Profit distribution										
Appropriation to surplus reserves	(41)	—	—	—	—	291,404,587	—	(291,404,587)	—	—
Appropriation to general risk reserve	(42)	—	—	—	—	—	82,302,988	(82,302,988)	—	—
Profit distribution to shareholders	(43)	—	—	—	—	—	—	(2,464,670,670)	(68,459,957)	(2,533,130,627)
Specific reserve										
Appropriation to safety fund		—	—	—	52,697,332	—	—	—	9,151,196	61,848,528
Utilization of safety fund		—	—	—	(52,183,016)	—	—	—	(8,908,526)	(61,091,542)
Recognition of other changes in other reserves of associates and joint ventures	(39)	—	8,584,824	—	—	—	—	—	—	8,584,824
Balance at 31 December 2019		<u>6,491,100,000</u>	<u>12,326,352,961</u>	<u>182,668,672</u>	<u>3,914,265</u>	<u>1,278,378,901</u>	<u>380,586,794</u>	<u>9,694,379,282</u>	<u>3,239,981,167</u>	<u>33,597,362,042</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4 (Unless otherwise stated)	Attributable to shareholders of the Company								Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	
Balance at 31 December 2019		6,491,100,000	12,326,352,961	182,668,672	3,914,265	1,278,378,901	380,586,794	9,694,379,282	3,239,981,167	33,597,362,042
Movements for the year ended										
31 December 2020										
Total comprehensive income										
Net profit		—	—	—	—	—	—	3,841,863,143	578,496,735	4,420,359,878
Other comprehensive income	(40)	—	—	104,629,603	—	—	—	—	(640,313)	103,989,290
Total comprehensive income for the year		—	—	104,629,603	—	—	—	3,841,863,143	577,856,422	4,524,349,168
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	97,400,000	97,400,000
Business combinations not under common control	5(1)	—	—	—	—	—	—	—	13,103,937	13,103,937
Profit distribution										
Appropriation to surplus reserves	(41)	—	—	—	—	338,814,201	—	(338,814,201)	—	—
Appropriation to general risk reserve	(42)	—	—	—	—	—	30,661,676	(30,661,676)	—	—
Profit distribution to shareholders	(43)	—	—	—	—	—	—	(1,300,167,330)	(183,985,999)	(1,484,153,329)
Specific reserve										
Appropriation to safety fund		—	—	—	60,564,779	—	—	—	13,532,262	74,097,041
Utilization of safety fund		—	—	—	(60,199,857)	—	—	—	(13,547,797)	(73,747,654)
Recognition of other changes in other reserves of associates and joint ventures	(39)	—	(7,679,072)	—	—	—	—	—	—	(7,679,072)
Balance at 31 December 2020		6,491,100,000	12,318,673,889	287,298,275	4,279,187	1,617,193,102	411,248,470	11,866,599,218	3,744,339,992	36,740,732,133

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
Balance at 31 December 2018		<u>6,036,724,000</u>	<u>14,706,766,468</u>	<u>137,710,000</u>	<u>—</u>	<u>986,974,314</u>	<u>6,479,324,825</u>	<u>28,347,499,607</u>
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit		—	—	—	—	—	2,914,045,871	2,914,045,871
Other comprehensive income	(13)	—	—	53,800,000	—	—	—	53,800,000
Total comprehensive income for the year		—	—	53,800,000	—	—	2,914,045,871	2,967,845,871
Capital contribution and withdrawal by shareholders								
Ordinary shares held by shareholders	(12)	454,376,000	1,524,553,768	—	—	—	—	1,978,929,768
Capital contribution by minority shareholders' in subsidiaries	(12)	—	15,245,576	—	—	—	—	15,245,576
Profit distribution								
Appropriation to surplus reserves		—	—	—	—	291,404,587	(291,404,587)	—
Profit distribution to shareholders		—	—	—	—	—	(2,464,670,670)	(2,464,670,670)
Specific reserve								
Appropriation to safety fund		—	—	—	33,281,668	—	—	33,281,668
Utilization of safety fund		—	—	—	(33,281,668)	—	—	(33,281,668)
Recognition of other changes in other reserves of associates and joint ventures	(12)	—	8,584,824	—	—	—	—	8,584,824
Balance at 31 December 2019		<u>6,491,100,000</u>	<u>16,255,150,636</u>	<u>191,510,000</u>	<u>—</u>	<u>1,278,378,901</u>	<u>6,637,295,439</u>	<u>30,853,434,976</u>

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
Balance at 31 December 2019		<u>6,491,100,000</u>	<u>16,255,150,636</u>	<u>191,510,000</u>	<u>—</u>	<u>1,278,378,901</u>	<u>6,637,295,439</u>	<u>30,853,434,976</u>
Movements for the year ended								
31 December 2020								
Total comprehensive income								
Net profit		—	—	—	—	—	3,388,142,006	3,388,142,006
Other comprehensive income	(13)	—	—	99,720,000	—	—	—	99,720,000
Total comprehensive income for the year		—	—	99,720,000	—	—	3,388,142,006	3,487,862,006
Profit distribution								
Appropriation to surplus reserves		—	—	—	—	338,814,201	(338,814,201)	—
Profit distribution to shareholders		—	—	—	—	—	(1,300,167,330)	(1,300,167,330)
Specific reserve								
Appropriation to safety fund		—	—	—	29,374,401	—	—	29,374,401
Utilization of safety fund		—	—	—	(29,374,401)	—	—	(29,374,401)
Recognition of other changes in other reserves of associates and joint ventures	(12)	—	(7,679,072)	—	—	—	—	(7,679,072)
Balance at 31 December 2020		<u>6,491,100,000</u>	<u>16,247,471,564</u>	<u>291,230,000</u>	<u>—</u>	<u>1,617,193,102</u>	<u>8,386,455,914</u>	<u>33,033,450,580</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a joint stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) as the Leading Promoter together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd. (“Malai Storage”), Qingdao Ocean Shipping Co., Ltd. (“Qingdao Ocean”)(now renamed as COSCO Shipping (Qingdao) Co., Ltd.), China Shipping Terminal Development Co., Ltd. (“China Shipping Terminal”), Everbright Holdings (Qingdao) Financial Leasing Co., Ltd.(Everbright Holdings Qingdao) and Qingdao International Investment Co., Ltd. (“Qingdao International Investment”)(Collectively referred to as “other promoters”), with its registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC.

Pursuant to *Qingdao State-Owned Assets Supervision & Administration Commission’s Reply on Approval of Establishment of Limited Liability Company and Listing of H-Shares By Qingdao Port (Group) Co., Ltd.* (Qing Guo Zi Gui [2013] No. 29) and restructuring plan, Qingdao Port Group restructures and establishes a limited liability company. The total share capital of the Company at incorporation is 4,000,000,000 shares (Par value at RMB1). The total capital contributions subscribed by the initiators and the share capital converted are as follows (Amounts in ten thousand Yuan):

Name of promoter	Form of contribution	Amount of contribution	Share capital	Capital surplus	Shareholding
Qingdao Port Group	Asset and liability	1,065,228	360,000	705,228	90.0%
Malai Storage	Cash at bank and on hand	33,141	11,200	21,941	2.8%
Qingdao Ocean	Cash at bank and on hand	28,406	9,600	18,806	2.4%
China Shipping Terminal	Cash at bank and on hand	28,406	9,600	18,806	2.4%
Everbright Holdings					
Qingdao	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Qingdao International Investment	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Total		<u>1,183,587</u>	<u>400,000</u>	<u>783,587</u>	<u>100.0%</u>

The Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014. The issuing price per share is HKD3.76 (approximately RMB2.98). The amount of raised capital less capitalized listing expenses was RMB1,995,921,171, including share capital of RMB705,800,000 (705,800,000 shares, par value at RMB1) and capital surplus of RMB1,290,121,171.

The Company exercised over-allotment option on 2 July 2014 and issued additional 72,404,000 foreign-listed H shares overseas. The issuing price per share was HKD3.76 (approximately RMB2.99). The amount raised in over-allotment was RMB216,167,727, including share capital of RMB72,404,000 (72,404,000 shares, par value at RMB1) and capital surplus of RMB143,763,727.

Furthermore, 77,821,000 state-owned shares held by Qingdao Port Group (equivalent to 10% of the issued H-shares) are converted to H-shares and transferred to the National Council for Social Security Fund of the PRC as a portion of shares in the IPO and over-allotment for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION (Continued)

The completion of the placing of 243,000,000 new H shares of the Company (the “Placing”) took place on 18 May 2017 at the placing price of HKD4.32 per H Share (equivalent to approximately RMB3.81). The number of total share capital of the Company increased to 5,021,204,000 shares as a result of the issue of the Placing Shares.

The Company made private placement of 1,015,520,000 Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. (“Shanghai China Shipping Terminal”) on 22 May 2017 at a subscription price of RMB5.71 per share. After the completion of the private placement of the Domestic Shares, the number of total issued shares of the Company increased to 6,036,724,000 shares.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares) and was listed on the main board of Shanghai Stock Exchange with a par value of RMB1.00 per share at the issuing price of RMB4.61 per share. After the completion of the issuance of A shares, the number of total issued shares of the Company increased to 6,491,100,000 shares.

As at 31 December 2020, the total share capital of the Company is 6,491,100,000 shares with par value at RMB1.00, including 5,392,075,000 A-shares and 1,099,025,000 H-shares, accounting for 83.07% and 16.93% respectively of the total share capital of the Company. Qingdao Port Group holds 55.10% shares of the Company in total.

Pursuant to the *Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port (Group) Co., Ltd. among Shandong Port Group Co., Ltd., the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government, and the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government* signed by Shandong Port Group Co., Ltd. (“Shandong Port Group”), the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (“Qingdao SASAC”), the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government and Qingdao Port Group on 22 August 2019, Qingdao SASAC shall transfer 100% equity interests in Qingdao Port Group to Shandong Port Group. Pursuant to the *Supplementary Agreement to the Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port (Group) Co., Ltd. among Shandong Port Group Co., Ltd. and the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government* (“Supplementary Agreement”) signed by Qingdao Port Group, Shandong Port Group and Qingdao SASAC on 17 November 2020, Qingdao SASAC shall transfer 49% equity interests in Qingdao Port Group to Shandong Port Group. After 36 months from the listing of the Company’s A shares, Qingdao SASAC and Shandong Port Group will negotiate separately in relation to the transfer of the remaining 51% equity interests in Qingdao Port Group. Qingdao Port Group completed the change of industrial and commercial registration procedure on 2 December 2020, upon which Qingdao SASAC and Shandong Port Group held 51% and 49% of equity interests in Qingdao Port Group, respectively. Pursuant to the Supplementary Agreement, before the date on which the Company’s A shares having been listed for 36 months, Shandong Port Group shall not enjoy the portion of the distributed profit of Qingdao Port Group attributable to the Company, and Shandong Port Group’s voting on relevant matters regarding the Company on Qingdao Port Group’s general meetings shall concur with Qingdao SASAC’s voting. Therefore, as at 31 December 2020, Qingdao Port Group remains as the controlling shareholder of the Company and Qingdao SASAC remains as the ultimate controller of the Company.

The scope of business of the Company and its subsidiaries (collectively the “Group”) includes port and port-related services such as stevedoring, stacking, logistics of containers, metal ores, coal, crude oil, grains, break bulk cargo, financing service business, and port supporting business like port machinery manufacture, construction, tugboat and barging, and ocean shipping tallying.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION (Continued)

For the details of the main subsidiaries included in the scope of consolidation for the year, please refer to Note 6. The subsidiaries included in the scope of consolidation for the year refer to the subsidiaries that are newly established as well as Qingdao Red Star Logistics Industry Co., Ltd. ("Red Star Logistics"), which is included in the scope of consolidation from business combinations not under common control. The subsidiaries that are no longer included in the scope of consolidation for the year are Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance") that is disposed of, and the subsidiaries deregistered. For details, please refer to Note 5.

These financial statements have been approved for issuance by the Company's Board of Directors on 29 March, 2021.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policies and accounting estimates are determined based on the features of the Group's production and operation, which mainly include judgement criteria for the provision of expected credit losses on receivables and contract assets (Note 2(9)), depreciation of fixed assets, amortization of intangible assets and right-of-use assets (Note 2(13), (16), (25)), provision of early retirement benefits and supplementary retirement benefits (Note 2(19)), and recognition and measurement of revenue (Note 2(22)), etc.

The Group's critical judgements applied in determining significant accounting policies, critical accounting estimations and key assumptions are as follows Note 2(30).

(1) Preparation basis of financial statements

The financial statements are prepared in accordance with *the Accounting Standard for Business Enterprises – Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as the "Accounting Standards for Business Enterprises"); and are also prepared in accordance with *the Public Information Disclosure and Compilation Rules for Public Offering of Securities No. 15 – General Provisions for Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on 3 March 2014. Certain disclosures in the financial statements have been adjusted in accordance with requirements in Hong Kong Companies Ordinance.

(a) Preparation basis of consolidated financial statements

Prior to the establishment of the Company, Qingdao Port Group was reorganized under the plan approved by Qingdao SASAC and transferred certain business into the Company; therefore, the matter was deemed as business combination involving enterprises under common control. Pursuant to the Accounting Standards for Business Enterprises, at preparation of the consolidated financial statements of the Group, the assets and liabilities contributed by Qingdao Port Group at the Company's Date of Incorporation remain presented at their original carrying amounts rather than at the appraisal values approved by the competent state-owned assets management authorities in the reorganization. The difference between the appraisal values and the carrying amounts is charged against the shareholders' equity in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(1) Preparation basis of financial statements (Continued)

(a) Preparation basis of consolidated financial statements (Continued)

On the other hand, certain subsidiaries of the Company appraised their assets and liabilities in the process of transformation from state-owned enterprises into limited liability companies. In the light of *Interpretation No. 1 to the Accounting Standards for Business Enterprises*, the assets and liabilities of such reorganized companies shall, on the incorporation dates, be consolidated into the consolidated financial statements of the Group based on the appraisal values approved by the competent state-owned assets management authorities.

(b) Preparation basis of the Company's financial statements

At preparation of the Company's financial statement, the assets and liabilities of Qingdao Port Group that were contributed into the Company are recognized based on the appraisal values approved by the competent state-owned assets management authorities, stated on the Company's financial statements.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (RMB). The financial statements are shown in RMB.

(5) Business combination

(a) Business combination involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the acquiree was acquired from the third party by the ultimate controlling party in previous years, it shall be based on the carrying amount of the assets and liabilities of the acquiree (including the goodwill formed by the acquisition of the acquiree by the ultimate controlling party) in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs that directly attribute to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issuance of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(5) Business combination (Continued)

(b) Business combination involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. When the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; when the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period. Costs directly attribute to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issuance of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparation of the consolidated financial statements, when the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated from the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognized as minority interests, net profit attributable to minority interests and total comprehensive incomes attributable to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealized profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealized profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(6) Preparation of consolidated financial statements (Continued)

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies and measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

Financial instrument is a contract that forms a financial asset of one party and forms a financial liability or equity instrument of the other party. When the Group becomes a party to a financial instrument contract, the relevant financial assets or financial liabilities are recognized.

(a) Financial assets

(i) *Classification and measurement of financial assets*

Based on the business model for financial asset management and the contractual cash flow characteristics of financial assets, the Group classifies the financial assets as: (1) financial assets measured at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit and loss, the related transaction costs are directly recognized in profit or loss. For other financial assets, the related transaction costs are included in initially recognized amounts. Accounts receivable or notes receivable arising from sales of products or rendering of services excluding or without regard to significant financing components are initially recognized at the consideration that is entitled to be charged by the Group as expected.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) *Classification and measurement of financial assets* (Continued)

Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured with the following three methods respectively:

Measured at amortized cost:

The Group's business model for financial asset management aims to receive contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain dates is only the payment for the principal and corresponding interest based on unpaid principal. The interest income of such financial assets is recognized using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Measured at fair value through other comprehensive income:

The Group's business model for the financial asset management aims to receive contractual cash flows and hold the financial assets for sale. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement. Such financial assets are measured at fair value through other comprehensive income. However, impairment losses or gains, exchange gains or losses and interest income calculated using the effective interest method are included in profit or loss in the current period. Such financial assets mainly comprise financing receivables and other debt investments, etc. Such financial assets are presented as other debt investments. Other debt investments due within 1 year (inclusive) at the balance sheet date are included in the current portion of non-current assets, other debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Measured at fair value through profit or loss:

Debt instruments not classified as financial assets measured at amortized cost or at fair value through other comprehensive income are presented as financial assets held for trading at fair value through profit or loss by the Group. At initial recognition, the Group designates a portion of financial assets as those measured at fair value through profit or loss to eliminate or dramatically reduce accounting mismatches. Financial assets with maturities over 1 year and expected to be held over 1 year at the balance sheet date are presented as other non-current financial assets, the others are presented as financial assets held for trading.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) *Classification and measurement of financial assets* (Continued)

Equity instruments

Investments in equity instruments over which the Group exert no control, joint control or significant influence, are presented as financial assets held for trading and are measured at fair value through profit or loss; financial assets expected to be held over 1 year at the balance sheet date are presented as other non-current financial assets.

(ii) *Impairment*

Relevant loss provision is recognized for financial assets measured at amortized cost, investments in equity instruments at fair value through other comprehensive income, contract assets, lease receivables and financial guarantee contracts based on Expected Credit Loss ("ECL").

ECL is recognized when the Group considers reasonable and supportable information that is related to past events, current situation and forecasts on future economic conditions, and calculates probability-weighted amount of the present value of the difference between cash flows of contract receivable and expected cash flows, taking default risk as the weight.

ECL of financial instruments in different stages are measured respectively at each balance sheet date by the Group. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these financial instruments, lifetime ECL are recognized. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized.

For financial instruments with low credit risk at the balance sheet date, the Group assumes the credit risk of such financial instruments does not increase significantly after the initial recognition, and measures loss provision based on 12-month ECL.

For financial instruments in Stage 1 and Stage 2 and that with low credit risk, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For financial instruments in the Stage 3, interest income is calculated based on amortized cost by using carrying amount less impairment provision appropriated and the effective interest rate.

For notes receivable, accounts receivable, financing receivables and contract assets caused by sales of goods, rendering of services and other daily operating activities, no matter whether there is a significant financing component, the Group measures their loss provision based on lifetime ECL. For lease receivables, the Group measures the loss provision based on lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

When there is no information at reasonable cost to assess the ECL on the individual basis, the Group classifies receivables into several groups in accordance with their credit risk characteristics and measures ECL on the basis of grouping basis. Basis for grouping is as follows:

Grouping of financing receivables and notes receivable:

Grouping of financing receivables	Bank acceptance notes
Grouping A	Trade acceptance notes receivable from companies in the scope of consolidation (For company financial statements)
Grouping B	Trade acceptance notes receivable from other companies outside the scope of consolidation

Grouping of accounts receivable:

Grouping A	Accounts receivable from companies in the scope of consolidation (For company financial statements)
Grouping B	Accounts receivable from engineering and construction businesses of companies outside the scope of consolidation
Grouping C	Accounts receivable from companies outside the scope of consolidation other than engineering and construction businesses

Grouping of other receivables and long-term receivables:

Grouping A	Other receivables and long-term receivables from companies in the scope of consolidation (For company financial statements)
Grouping B	Loans and advances from companies outside the scope of consolidation
Grouping C	Receivables from companies outside the scope of consolidation other than loans and advances



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) *Impairment* (Continued)

For accounts receivable, lease receivable and financing receivables caused by sales of goods, rendering of services and other daily operating activities that on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the exposure at default (“EAD”) and lifetime ECL ratio. For other notes receivables, financing receivables and other receivables on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the EAD and the ECL ratio within 12 months or for the lifetime.

For loans and advances that are accounted for as other receivables and long-term receivables, the Group measures loans based on the client’s “probability of default” and financial status of the agreed obligations, taking into account EAD and possible future development trends.

Impairment losses provision or reversal is recognized in profit or loss in the current period by the Group. For debt instrument measured at fair value through other comprehensive income, the Group adjusted other comprehensive income accordingly upon the recognition of the impairment losses or gains into profit or loss.

(iii) *Derecognition*

A financial asset is derecognized when any of the below criteria is met: (1)the contractual rights to receive the cash flows from the financial asset expire; (2)the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3)the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in other comprehensive income, is recognized in retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in other comprehensive income, is recognized in profit or loss in the current period.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at amortized cost and financial liabilities at fair value through profit or loss.

The financial liabilities of the Group mainly comprise of financial liabilities measured at amortized cost, including notes payable, accounts payable, other payables, borrowings and bonds payable. Such financial liabilities are recognized initially at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Such financial liabilities with maturities no more than one year (inclusive) are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year (inclusive) at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss in the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. At valuation, the Group uses valuation techniques that are applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. The Group uses unobservable inputs when relevant observable inputs are not available or feasible.

(10) Inventories

(a) Classification

Inventories include amounts of materials and finished goods, spare parts, fuel, low value consumables, and are stated at the lower of cost and net realizable value.

(b) Costing of inventories when issued

Cost of materials, finished goods, fuel and spare parts is determined using weighted average method when issued while low value consumables are charged to cost in full when issued for use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Inventories (Continued)

(c) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through business combinations involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment formed through business combinations involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through business combinations, regarding the long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income pursuant to its share of net profit or loss of the investee. The Group discontinues recognizing its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution are recognized in the Group's capital surplus and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognized. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

When the Group increases the percentage of shareholding in investee due to additional investment, but the investee remains to be an associate or a joint venture, it shall be accounted for using equity method with the updated percentage of shareholding. When the additional investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the additional investment date, the cost of long-term equity investment is not adjusted; when the additional investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the additional investment date, the difference is included in non-operating income and the cost of the long-term equity investment is adjusted upwards accordingly. While making the adjustment, goodwill relating to the original and additional investment or the amount included in profit or loss should be considered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments (Continued)

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (18)).

(12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Land use rights are amortized on the straight-line basis over their approved use period of 35 – 50 years. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of buildings and land use rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation/ amortization rates
Buildings	30 years	4%	3.2%
Land use rights	35 – 50 years	—	2.0% – 2.9%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset on the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount on the date of the transfer. When transferred, carrying amount before transfer shall be recorded as cost after transfer.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Investment properties (Continued)

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2 (18)).

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, port facilities, storage facilities, loading equipment, machinery and equipment, vessels, transportation equipment, communication facilities, office equipment and other equipment.

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the State shareholders at the reorganization of the Company into a corporation are recognized based on the evaluated amounts as approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based on the adjusted carrying amounts over their remaining useful lives.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Fixed assets (Continued)

(b) Depreciation methods of fixed assets (Continued)

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 years	4%	3.2%
Port facilities	20 – 45 years	4%	2.1% – 4.8%
Storage facilities	20 – 45 years	4%	2.1% – 4.8%
Loading equipment	10 years	4%	9.6%
Machinery and equipment	5 – 18 years	4%	5.3% – 19.2%
Vessels	18 years	5%	5.3%
Transportation equipment	10 – 12 years	4%	8.0% – 9.6%
Communication facilities	5 – 8 years	4%	12.0% – 19.2%
Office equipment and other equipment	5 – 12 years	4%	8.0% – 19.2%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted as appropriate at each year-end.

- (c) The carrying amount of a fixed asset is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(18)).

(d) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (18)).

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalized amount of specific borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalized amount of general borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilized general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognized amount of the borrowings.

(16) Intangible assets

Intangible assets include land use rights, sea area use rights, computer software, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganization of the Company into a corporation are recognized based on the evaluated amounts as approved by the state-owned assets administration department.

(a) Land use rights

Land use rights are amortized on the straight-line basis over their approved use period of 35 – 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognized as fixed assets.

(b) Sea area use rights

Sea area use rights are initially recorded at their cost on acquisition and amortized on the straight-line basis over their useful lives of 45 – 50 years.

(c) Computer software

Computer software is initially recorded at its cost on acquisition and amortized on the straight-line basis over its estimated useful life of 5 years.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Intangible assets (Continued)

(d) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review of its useful life and amortization method is performed at each year-end, with adjustments made as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalized only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to its recoverable amount when its recoverable amount is lower than its carrying amount (Note 2 (18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to right-of-use assets, and other expenditures that has been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditures net of accumulated amortization.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(18) Impairment of long-term assets

Fixed assets, construction in progress, investment properties, right-of-use assets, intangible assets with a finite useful life and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that assets may be impaired at the balance date. Intangible assets which are not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment losses are recognized 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment losses are recognized, it will not be reversed for the value recovered in the subsequent periods.

(19) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Employee benefits (Continued)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions, unemployment insurance, corporate annuity and supplemental retirement benefits. The first three items are under defined contribution plans and the last one is under defined benefit plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated pursuant to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Group in accordance with State's corporate annuity regulations apart from basic pensions. The annuity is accrued by the Group in proportion to the payroll. During the accounting period in which employees provide services, the amount calculated in line with the above-mentioned proportion is recognized as liabilities and is included into profit or loss for the current period.

Supplemental retirement benefits

Pursuant to the *Minutes of the 29th Executive Meeting of the 15th People's Government of Qingdao City* issued by the General Office of Qingdao Municipal Government on 19 August 2013, the Group, besides the pension plan specified by the State, offers supplemental retirement benefits to employees retired or to be retired prior to 31 December 2015 and the surviving family members involved, which is under defined benefit plans. Pursuant to the *Interim Measures for Supplementary Medical Insurance Management of Qingdao Port International Co., Ltd.* (Qing Gang Guo Ji Ren Zi [2020] No.104), the Group provides supplementary medical benefit and other supplemental benefits to employees retired or to be retired in the future. The above supplemental retirement benefits belong to defined benefit plan. The supplemental retirement benefits borne by the Group are recognized as liabilities, actuarially evaluated using projected unit credit method, and presented as the present value of expected future cash outflow. Actuarial gains and losses are included in other comprehensive income in the period when incurred, and past service cost is recognized in the period when incurred. The supplemental retirement benefits are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the related supplemental retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Supplemental retirement benefits (Continued)

The supplemental retirement benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable.

The supplemental retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as liabilities and corresponding charge to profit or loss at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Group recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognized as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognized in profit or loss in the period when occurred.

The termination benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable..

The early retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments.

(20) Dividend distribution

Cash dividend is recognized as a liability for the period in which the dividend is approved by the shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Provisions

Provisions for product warranties, onerous contracts etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditures required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows; the increase in the discounted amount of the provision arising from passage of time is recognized as interest expenses.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The financial guarantee contract loss provision recognized by the Group on the basis of expected credit losses is recognized as an estimated liability.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(22) Revenue recognition

The Group recognizes revenue at the amount of consideration to which the Group expects to be entitled when customers obtain control of relevant goods or services.

(a) Rendering of services

The corresponding revenue recognition methods are summarised as follows:

- Income from services is recognized based on the progress of completed services over a period of time, including stevedoring of goods (including metal ores, coal, crude oil, grains, break bulk cargo, containers), port management, logistics and transportation, tugboat and barging, ocean shipping tallying, construction and other services, which is determined based on proportion of costs incurred to date to the estimated total costs. On the balance sheet date, the Group re-estimates progress of completed services to reflect the changes of the compliance with the contract.
- Income from stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognized on the straight-line basis over the service period.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Revenue recognition (Continued)

(a) Rendering of services (Continued)

When the revenue is recognized pursuant to the progress of completed services by the Group, the amounts with unconditional collection right obtained by the Group are recognized as accounts receivable, and the rest are recognized as contract assets. Meanwhile, loss provision for accounts receivable and contract assets is recognized based on ECL (Note 2 (9)). If the contract amount received or receivable exceeds the amount for the completed services, the difference is recognized as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. Costs for rendering of services are recognized as contract performance costs, and are carried forward to cost of sales from main operations pursuant to the progress of services completed when the revenue is recognized. The Group will recognize the incremental costs incurred in obtaining the contracts as contract acquisition costs. For the costs to obtain a contract with the amortisation period within one year, the costs are charged in the current profit or loss when incurred. For the costs to obtain a contract with the amortisation period beyond one year, the costs are charged in the current profit or loss on the same basis as revenue of rendering of services recognised under the relevant contract. If the carrying amount of contract costs exceeds the residual considerations expected to be obtained from the provision of the services less the costs expected to be incurred, the Group makes provision for impairment for the difference and recognizes it as asset impairment losses.

As at the balance sheet date, based on whether the amortisation period of the costs to fulfil a contract is more than one year when initially recognised, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

The Group assesses whether it is the principal or an agent in the transactions regarding whether the Group has the control of goods when transferring the goods to the customer or rendering of services. Provided that the Group has the control of goods (or services) before the transfer of the goods for services, it is the principal and should recognise revenue for the gross amount of consideration received or receivable; otherwise it is the agent and should recognise revenue at the amount of commissions and fees to which the Group expects to be entitled.

(b) Sale of goods

Revenue from sales of oil and electricity belongs to contract obligations to be satisfied at a point in time and the corresponding revenue is recognized when the control of goods is transferred to the buyer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes, financial subsidies, etc.

Government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are those obtained for forming long-term assets by purchase, construction or acquisition in other ways. Grants related to income are government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets.

Government grants related to income that compensate future costs, expenses or losses are recorded as deferred income and recognized in profit or loss upon the recognition of the related costs, expenses or losses; government grants related to income that compensate incurred costs, expenses or losses are recognized in current profit or loss directly. The Group uses the same presentation method for similar government grants.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(24) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority;
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(25) Leases

Lease refers to a contract in which the lessor transfers the use right of the assets to the lessee in a certain period of time to obtain the consideration.

The Group as a lessee:

The Group recognizes right-of-use assets on the beginning date of the lease period and lease liabilities based on the present value of the unpaid amount of lease payment. Lease payments include fixed payment and the amount to be paid based on reasonable assurance that the purchase option will be exercised or the lease option will be terminated. The flexible rental based on the sales amount is not included in the lease payment and is recognized in profit or loss for the current period when actually incurred. Lease liabilities that are to be paid within one year (inclusive) since the balance sheet date are included in the current portion of non-current liabilities.

The Group's right-of-use assets comprise of buildings, port facilities, storage facilities, loading equipment and vessels, etc. Right-of-use assets are initially measured at cost which includes the initially measured amount of lease liabilities, the lease payment and initial direct costs on or before the beginning date of the lease period, deducting the lease incentives already received. If the Group can reasonably assure to obtain the ownership of lease assets when the lease period is due, depreciation is charged over the residual useful life of lease assets. Otherwise, depreciation is charged over the shorter of the lease period and the residual useful life of lease assets. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

For short-term leases with lease periods not exceeding 12 months and leases of low-value assets, the Group chooses not to recognize the right-of-use assets and lease liabilities. And the related rental expenses are either recognized over the period of the lease in current profit or loss or capitalized as part of the cost of related assets on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Leases (Continued)

The Group as a lessee: (Continued)

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2021 only, the Group applies the practical expedient and records the undiscounted waivers in profit or loss when the agreement is reached to dismiss the original payment obligation with corresponding adjustment of lease liabilities.

The Group as the lessor:

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Other leases are operating leases.

(a) Operating leases

When the Group leases out self-owned port facilities, storage facilities, buildings and etc., the rental income from the operating lease is recognized on the straight-line basis over the lease period.

For a lease modification, the Company accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance or receivable relating to the lease before modification as receivables of the new lease.

(b) Finance leases

As at the beginning date of the lease period, the Group recognizes finance lease receivables for finance leases and derecognizes related assets. Finance lease receivables are included in long-term receivables and finance lease receivables that are to be received within one year (inclusive) since the balance sheet date are included in the current portion of non-current assets.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when both of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject to usual practices for sale of such non-current asset or disposal group; (2) the Group has signed a legal binding sale agreement with other parties and has obtained appropriate approval, and the sale is to be completed within one year.

Non-current assets (except for financial assets, investment properties at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognized at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognized as asset impairment losses.

Such non-current assets and assets/liabilities included in disposal groups as classified as held for sale are accounted for as current assets/liabilities, and are presented separately in the balance sheet.

A discontinued operation is a separately identified component of the Group that either has been disposed of or is classified as held for sale, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

Profit or loss from the discontinued operations stated in the income statement includes the profit or loss arising from operation and disposal.

(27) Custodian business

Qingdao Port Finance Co., Ltd. ("Qingdao Finance"), a subsidiary of the Company, has custodian business mainly involving entrusted loan. Entrusted loan business refers to the business where under the entrusted loan agreement between Qingdao Finance and customer, Qingdao Finance offers loan ("entrusted loan") to other party under instruction of customer from the fund ("entrusted loan fund") provided by customer. As Qingdao Finance does not assume risk and reward incidental to the entrusted loan and associated entrusted loan fund, the entrusted loan and fund are recorded as off-balance sheet items by their capital, and no provision for impairment loss is made for such entrusted loan.

(28) Specific reserve

Pursuant to the regulations of the Ministry of Finance, Administration of Work Safety and relevant local government departments, the Group accrues specific reserve of safety production in light of the actual revenue of dangerous goods stacking and other related services in the prior year.

Specific reserve is mainly for safety expenses on facilities such as stevedoring, transportation, and stacking.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(28) Specific reserve (Continued)

The provision for specific reserve is recognized as relevant cost or profit or loss for the current period, and it is also included in specific reserve. The specific reserve is written down when withdrawal of safety fund is of expense expenditure. If it is capital expenditure, the expenditure incurred is recorded in construction in progress and recognized as fixed assets when the project is completed and is ready for the intended use, and meanwhile, specific reserve is written down at the cost of the fixed assets and accumulated depreciation is recognized at the same amount. Consequently, such fixed assets are not depreciated in subsequent periods.

(29) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1)the component is able to generate revenue and incur expenses from its ordinary activities; (2)whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3)for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical judgements in applying the accounting policies

(i) *Classification of financial assets*

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

The Group determines the business model of financial assets management based on the grouping basis, taking into account the pattern of assessment and reporting the performance of financial assets to key management, risks affecting the performance of financial assets and their management pattern, and relevant management's way of obtaining remuneration.

When assessing whether the contractual cash flow of financial assets are consistent with basic loan arrangement, the Group adopts the following judgements: whether the time distribution or amounts of the principal within the duration will change due to early repayment and other reason; whether the interest only include time value of money, credit risk, other basic loan risk and the consideration of cost and profit. For example, whether the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements (Continued)

(a) Critical judgements in applying the accounting policies (Continued)

(ii) *Judgement on significant increase in credit risk*

The judgement on significant increase in credit risk of loans and advances made by the Group is mainly based on whether it has been overdue for over 30 days, or whether one or more of the following indicators have changed significantly: business environment in which the debtor operates, internal and external credit ratings, significant changes in actual or expected operating results, significant decrease in value of collaterals or credit rate of the guarantor, etc.

Judgement of the Group on the credit impaired of loans and advances is mainly based on whether it has been overdue for over 90 days (i.e., a default has occurred), or whether it meets one or more of the following conditions: the debtor suffers from significant financial difficulties, is engaged in other debt restructuring, or probably goes bankrupt, etc.

(b) Critical accounting estimates and assumption

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) *Estimate on depreciation of fixed assets*

The Group's management estimates the expected useful lives and residual values of fixed assets, and review them periodically. The estimates are based on the historical actual useful lives and industry practices of fixed assets with similar nature and function. In the processing of using fixed assets, the economic environment, technical environment and other environment may have a significant impact on the useful lives and expected net residual values of fixed assets; and also changes in the economic environment, technical environment and other environment may also lead significant changes in the expected realization method of economic benefits related to fixed assets. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(ii) *Actuarial calculation of early retirement and supplemental retirement benefits*

The liabilities recognized from early retirement and supplemental retirement benefits by the Group are calculated on an actuarial basis using a number of assumptions. The assumptions include discount rates, salaries and welfare growth rate, and mortality rates, etc. Any differences between the actual results and assumptions are accounted in the current period in accordance with relevant accounting policies. Although the Group considers their assumptions are reasonable, change of experience data and assumptions will affect the amounts of early retirement benefit and supplemental retirement benefits liabilities and other comprehensive income associated with supplemental retirement benefits of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and assumption (Continued)

(iii) Measurement of ECL

The Group calculates ECL pursuant to exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Group adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Group has considered different macroeconomic scenarios. In 2020, the weights of the three economic scenarios of “benchmark”, “unfavourable” and “favourable” were 60%, 30% and 10%, respectively. The Group regularly monitors and reviews key macroeconomic assumptions and parameters related to the calculation of expected credit loss, including the risk of economic downturn, changes on customer conditions, business climate index, consumer price index, industrial added value and investment in fixed assets, etc. In 2020, the Group had considered the uncertainty caused by the COVID-19, and updated relevant assumptions and parameters accordingly. The key macroeconomic parameters used in each scenario are listed as follows:

		Economic scenario		
		Benchmark	Unfavourable	Favourable
Consumer price index:	2021 and			
on year-on-year basis	subsequent years	1.33%	0.60%	1.90%
Industrial added value: on a	2021	8.23%	6.20%	10.50%
cumulative year-on-year basis	2022 and			
	subsequent years	5.28%	4.28%	6.37%
Investment in fixed assets:	2021	6.93%	3.90%	9.20%
on a cumulative	2022 and			
year-on-year basis	subsequent years	4.74%	3.25%	5.85%

(31) Significant changes in accounting policies

The Ministry of Finance issued the Questions and Answers on the Implementation of Accounting Standards for Business Enterprises on 11 December 2020. The financial statements for the year ended 31 December 2020 are prepared in accordance with the above Questions and Answers on the Implementation of Accounting Standards for Business Enterprises, and the corresponding impacts are presented as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31) Significant changes in accounting policies (Continued)

(a) Questions and Answers on the Implementation of Accounting Standards for Business Enterprises

The contents and reasons of the changes in accounting policies	The line items affected	The amounts affected 2019	
		the Group	the Company
The Group and the Company reclassified the contract asset impairment losses that was originally included in the credit impairment losses into the asset impairment losses.	Credit impairment losses	(7,187,706)	(1,625,296)
	Asset impairment losses	7,187,706	1,625,296

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Enterprise income tax(a)	Taxable income	15%, 20% and 25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	6%, 9%, 10%, 11%, 13% and 16%
	Taxable revenue amount	3% and 5%
Land use tax	Actual size of the land occupied	RMB3.2-11.2 per square meter per year
City maintenance and construction tax	Value added tax	7%
Educational surcharge	Value added tax	3%

(a) Enterprise income tax

Pursuant to the *Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances* (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (Continued)

(1) The main categories and rates of taxes applicable to the Group are set out below (Continued):

(b) VAT

In 2020, in addition to sales and commodity trading of fuel oil, mechanical and electrical equipment, concrete, hydropower, etc., the company and certain subsidiaries also provide services such as transportation, stevedoring, port management, tugboat and barging, ocean shipping tallying, and tangible movable property leasing. Value-added tax is applicable to the above-mentioned businesses. The value-added tax rate applicable to the sales of fuel oil, mechanical and electrical equipment and electricity, commodity trading and tangible movable property leasing services is 13%; the value-added tax rate applicable to stevedoring services, port management services, tugboat and barging services, ocean shipping tallying and the provision of loans and other services is 6%; the value-added tax rate applicable to the provision of transportation services, the provision of construction and installation projects, etc., the transfer of real estate such as docks, storage yards, land use rights, and the lease of real estate services is 9%; the transfer or lease of real estate acquired before 30 April 2016 is taxed pursuant to the simplified taxation method, and the applicable tax rate is 5%.

(2) Tax incentives

(a) Enterprise income tax

In 2019, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") obtained the Certificate of High-tech Enterprises (Certificate No. GR201937100906) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, State Administration of Taxation Qingdao Municipal Taxation Bureau. The certificate is valid for 3 years. Pursuant to the relevant provisions of Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the enterprise income tax rate applicable to Technology Company was 15% in 2020 (In 2019: 15%).

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Datang Port Co., Ltd. ("Datang Port") and Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT") applied for public infrastructure projects and obtained the Notice of Tax Matters approved by Huangdao State Taxation Bureau of Qingdao City (Combined by Huangdao Branch of Qingdao Local Taxation Bureau and Jiaonan State Taxation Bureau of Shandong Province) And it will enjoy a three-year exemption from enterprise income tax since the first year of earning operating income related to the port, followed by three years of 50% tax reduction. In 2020, Datang Port was qualified for 50% tax reduction for the second year and DMP was qualified for 50% tax reduction for the first year.

In 2020, pursuant to Cai Shui [2019] No.13, Qingdao Port International Port Service Co., Ltd. ("Port Service"), Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair"), Qingdao Port Culture & Media Co., Ltd. ("Cultural & Media"), Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute") and Qingdao Waili Inspection and Testing Co., Ltd. ("Waili Inspection"), Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping"), Shandong Port Production Guarantee Co., Ltd. ("Production Guarantee"), subsidiaries of the Company, were all small low-profit enterprises. The portion of the annual taxable income of less than RMB1 million shall be deducted into the taxable income by 25%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income shall exceed RMB1 million but no more than 3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

3 TAXATION (Continued)

(2) Tax incentives (Continued)

(b) VAT

Pursuant to relevant stipulations of the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* ([2019] No. 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, and the *Announcement on Clarifying the Policies on Additional Value-added Tax Deduction Policy for Life Services* ([2019] No. 87) jointly issued by the Ministry of Finance and the State Administration of Taxation, Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties"), a subsidiary of the Company engaged in the life service sector, is eligible for a 15% additional VAT deduction from 1 October 2019 to 31 December 2021. Additionally, Qingdao Port International Logistics Co., Ltd. ("Qingdao Port Logistics"), Qingdao Port Jieyuntong Logistics Co., Ltd. ("Jieyuntong Logistics"), Qingdao Port Lianjie International Logistics Co., Ltd. ("Lianjie Logistics"), Qingdao Shengshi International Logistics Co., Ltd. ("Shengshi Logistics"), Ocean Tally Inspection, Qingdao Ocean Shipping Tally Co., Ltd. ("Ocean Shipping Tally"), Waili Inspection, Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain"), Technology Company, Qingdao Port Tongan Security Service Co., Ltd. ("Tongan Security"), subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 31 December 2021.

(c) Land use tax for terminal land

In 2020, pursuant to Cai Shui [2017] No.33, the Group's warehousing area for bulk commodities is subject to 50% tax reduction of land use tax. Pursuant to the *Tentative Regulations of the People's Republic of China of Urban Land Use Tax*, the Group's land exclusively for ports (Berths, including quayside, deep-water floating quay, embankment, dam, etc.) is exempted from land use tax.

(d) Property tax and land use tax

In 2020, pursuant to relevant stipulations in the files of Lu Cai Shui [2020] No. 16 and Lu Cai Shui [2020] No. 25, taxpayers in the six industries (transportation, catering, accommodation, tourism, exhibition, and film screening) that had been severely affected by the COVID-19 were exempt from the property tax and urban land use tax for the year ended 31 December 2020. The Company, altogether with its subsidiaries of Datang Port, Dongjiakou General Terminal, Qingdao Port Logistics, and Shandong United Energy Pipeline Transportation Co., Ltd. ("United Energy Pipeline"), whose main business is transportation, are exempted from certain property tax and land use tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash at bank	7,696,820,702	6,124,022,081
Other cash balances	852,156,032	722,377,766
	<u>8,548,976,734</u>	<u>6,846,399,847</u>
Including: Amounts deposited abroad	25,228,534	195,570,450

As at 31 December 2020, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB824,079,195 (31 December 2019: RMB645,601,882) pursuant to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB21,574,981 (31 December 2019: RMB44,867,230), deposits for the issuance of letter of credit amounted to RMB5,474,726 (31 December 2019: RMB31,210,416) and deposits for the issuance of letter of guarantee amounted to RMB1,027,130 (31 December 2019: RMB698,238).

(2) Financial assets held for trading

	31 December 2020	31 December 2019
Wealth management products(i)	1,121,813,078	900,997,200
Financial bonds	—	51,675,953
	<u>1,121,813,078</u>	<u>952,673,153</u>

(i) As at 31 December 2020 and 31 December 2019, wealth management products are the Group's structural deposits and non-principal-guaranteed wealth management products with floating income purchased from commercial banks and other financial institutions.

The Group expects that there is no significant credit risk associated with the amounts and does not expect that there will be any significant losses from non-performance by banks and other financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Notes receivable

	31 December 2020	31 December 2019
Trade acceptance notes	54,813,964	93,903,294
Less: Bad debt provision	<u>(2,491,165)</u>	<u>(4,695,165)</u>
	<u>52,322,799</u>	<u>89,208,129</u>

- (a) As at 31 December 2020 and 31 December 2019, the Group had no pledged acceptance notes.
- (b) As at 31 December 2020 and 31 December 2019, the Group had no trade acceptance notes that have been endorsed but not mature.
- (c) **Provision**

For notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the provision of notes receivable based on the lifetime ECL regardless of whether there is a significant financing component. As at 31 December 2020, the Group had no notes receivable with provision for impairment on individual basis.

The amount of bad debt provision accrued during the year was RMB2,204,000. The Group did not make any significant debt provision reversal or write-off for notes receivable during the year.

(4) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	3,210,799,719	2,504,148,910
Less: Bad debt provision	<u>(228,186,151)</u>	<u>(166,415,834)</u>
	<u>2,982,613,568</u>	<u>2,337,733,076</u>

Certain businesses of the Group are dealt in in form of cash, advances from customers, bank acceptance notes or trade acceptance notes. Remaining sales income is settled primarily with credit terms of 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

- (a) The ageing of accounts receivables based on their recording dates is analyzed as follows:

	31 December 2020	31 December 2019
Within 1 year	2,599,240,153	2,302,958,916
1 to 2 years	512,444,480	173,084,593
2 to 3 years	82,297,431	16,776,392
3 to 4 years	6,809,460	—
4 to 5 years	—	1,320,814
More than 5 years	10,008,195	10,008,195
	<u>3,210,799,719</u>	<u>2,504,148,910</u>

Accounts receivable are mainly recorded based on the date of transaction. The ageing of accounts receivable represented based on their recording dates is basically the same as the ageing represented based on the dates of invoice.

- (b) As at 31 December 2020, the total amount of top five accounts receivable is analyzed as follows:

	Amount	Provision for bad debt	% of total balance
Total amount of top five accounts receivable	<u>1,343,741,198</u>	<u>(97,386,243)</u>	<u>41.85%</u>

- (c) As at 31 December 2020 and 31 December 2019, the Group did not have any receivables that were derecognized due to the transfer of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

(d) Bad debt provision

The Group measures the provision of accounts receivable based on the lifetime ECL regardless of whether there exists a significant financing component.

Bad debt provision of accounts receivable is classified and analyzed as follows:

	31 December 2020			
	Carrying amount		Bad debt provision	
	Amount	% of the total	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	22,242,229	0.69%	(20,008,509)	89.96%
Bad debt provision on the grouping basis(ii)				
Group B	1,723,926,531	53.69%	(149,518,689)	8.67%
Group C	1,464,630,959	45.62%	(58,658,953)	4.01%
	<u>3,210,799,719</u>	<u>100.00%</u>	<u>(228,186,151)</u>	
	31 December 2019			
	Book value		Bad debt provision	
	Amount	% of the total	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	23,563,043	0.94%	(20,317,373)	86.23%
Bad debt provision on the grouping basis(ii)				
Group B	1,464,891,963	58.50%	(86,830,407)	5.93%
Group C	1,015,693,904	40.56%	(59,268,054)	5.84%
	<u>2,504,148,910</u>	<u>100.00%</u>	<u>(166,415,834)</u>	

- (i) As at 31 December 2020, for the receivables of RMB22,242,229 from Zhongshang Jiankai (Qingdao) Technology Development Co., Ltd., the Group believed that such receivables were difficult to recover as the company had obvious signs of operation difficulties, therefore, the Group made provision for bad debts for those cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

(ii) The analysis of accounts receivable in combination with provision for bad debts is as follows:

Accounts Receivable Group B-Accounts Receivable for engineering and construction Business:

	31 December 2020		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	1,156,593,578	4.40%	(50,946,285)
1 to 2 years	480,180,981	12.15%	(58,360,217)
2 to 3 years	80,342,512	41.58%	(33,402,727)
Over 3 years	6,809,460	100.00%	(6,809,460)
	<u>1,723,926,531</u>		<u>(149,518,689)</u>
	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	1,304,283,124	4.39%	(57,291,870)
1 to 2 years	143,832,447	12.08%	(17,369,633)
2 to 3 years	16,776,392	72.54%	(12,168,904)
	<u>1,464,891,963</u>		<u>(86,830,407)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

- (ii) The analysis of accounts receivable in combination with provision for bad debts is as follows:
(Continued)

Accounts receivable Group C-Accounts receivable other than engineering and construction businesses:

	31 December 2020		
	Ending balance	Provision for bad debt	
	Amount	Lifetime ECL rate	Amount
Within 1 year	1,442,646,574	2.98%	(42,934,855)
1 to 2 years	10,021,270	37.53%	(3,760,983)
Over 2 years	11,963,115	100.00%	(11,963,115)
	<u>1,464,630,959</u>		<u>(58,658,953)</u>

	31 December 2019		
	Ending balance	Provision for bad debt	
	Amount	Lifetime ECL rate	Amount
Within 1 year	978,981,470	2.86%	(28,046,643)
1 to 2 years	26,704,239	79.44%	(21,213,216)
Over 2 years	10,008,195	100.00%	(10,008,195)
	<u>1,015,693,904</u>		<u>(59,268,054)</u>

- (iii) For the year ended 31 December 2020, the provision for bad debts was RMB63,091,131, the bad debts on individual basis recovered was RMB1,320,814, and the corresponding book balance was RMB1,320,814, which were the receivables from Haikou Nantsing Container Liner Co., Ltd. ("Haikou Nantsing"). Haikou Nantsing had declared bankruptcy in the previous year, therefore, the Group believed that such receivables were difficult to recover and made provision for bad debts for those cannot be recovered. In 2020, those receivables was recovered through income of realisation of Haikou Nantsing's assets due to bankruptcy liquidation.

- (e) There are no accounts receivable actually written off during the year.

- (f) As at 31 December 2020 and 31 December 2019, the Group had no pledged accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Financing receivables

	31 December 2020	31 December 2019
Bank acceptance notes	<u>528,732,800</u>	<u>705,149,454</u>

- (a) The Group endorses or discounts part of the bank acceptance notes for its daily fund management purpose and meet the requirements for derecognition. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. As at 31 December 2020, the Group measured the provision for bad debts based on the entire lifetime expected credit loss. The Group believes that its bank acceptance notes do not expose to significant credit risk and will not cause significant losses by bank default.
- (b) As at 31 December 2020 and 31 December 2019, the Group had no pledged bank acceptance notes.
- (c) As at 31 December 2020, the bank acceptance notes that the Group has endorsed or discounted but have not yet expired amounted to RMB462,524,503 (31 December 2019: RMB656,590,985) and has been derecognized.

(6) Advances to suppliers

- (a) The ageing analysis of advances to suppliers is as follows:

	31 December 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>102,314,994</u>	<u>100.00%</u>	<u>65,477,940</u>	<u>100.00%</u>

- (b) As at 31 December 2020, the total amount of top five advances to suppliers is analyzed as follows:

	Amount	% of total balance
Total amount of top five advances to suppliers	<u>24,611,550</u>	<u>24.05%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables

	31 December 2020	31 December 2019
Loans provided to related parties and third parties (i)	1,460,577,659	573,511,898
Advance payment for targeted procurement business (ii)	446,691,494	907,137,642
Receivables and advances of agent business (iii)	332,245,278	206,115,039
Deposits and guarantees	44,961,001	26,290,528
Dividends receivable	15,591,695	—
Lease payments receivable of operating lease	1,755,377	12,902,418
Port construction fees receivable(iv)	—	65,504,377
Interest receivable	—	42,728,648
Others	12,579,546	22,513,993
	2,314,402,050	1,856,704,543
Less: Provision for bad debts	(41,210,426)	(31,019,382)
	2,273,191,624	1,825,685,161

- (i) Loans provided to related parties and third parties are the short-term entrusted loans provided by Qingdao Finance, a subsidiary of the Company, and its lending funds to other financial institutions.
- (ii) The advance payment for targeted procurement refers to the advances made by the Group for customers' targeted procurement of goods.
- (iii) Receivables and advances of agent business are receivables from the Group's shipping agency business and advances to agent purchase of goods on behalf of the Group's clients.
- (iv) Receivables of port construction fees represent port construction fee from customers collected on behalf in accordance with the *Administrative Measures for the Collection and Use of Port Construction Fees* jointly issued by the Ministry of Finance and the Ministry of Transport. In response to the impact of the COVID-19 on the macro-economy and market entities, the Ministry of Finance and the Ministry of Transport issued an announcement to exempt import and export goods from 1 March 2020 to 31 December 2020, under which the port construction expense was exempted for goods exported and imported.
- (a) The ageing of other receivables based on their recording dates is analyzed as follows:

	31 December 2020	31 December 2019
Within 1 year	2,151,795,253	1,844,161,506
1 to 2 years	157,937,482	5,522,124
2 to 3 years	700,321	2,847,658
More than 3 years	3,968,994	4,173,255
	2,314,402,050	1,856,704,543

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

(b) Loss provisions and the movement in the carrying balance

	Stage 1	
	ECL over the next 12 months (on the grouping basis)	
	Amount	Provision for bad debts
31 December 2019	1,856,704,543	(31,019,382)
Increase in the current year	457,697,507	(10,191,044)
31 December 2020	<u>2,314,402,050</u>	<u>(41,210,426)</u>

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables of which the provision for bad debts was made on the individual basis. Other receivables of which the provision for bad debts was made on the grouping basis were all in the first stage., which were analyzed below:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Group B	1,907,269,153	(19,128,158)	1.00%	1,480,649,540	(11,035,951)	0.75%
Group C	407,132,897	(22,082,268)	5.42%	376,055,003	(19,983,431)	5.31%
	<u>2,314,402,050</u>	<u>(41,210,426)</u>		<u>1,856,704,543</u>	<u>(31,019,382)</u>	

- (c) The provision for bad debts reversed in the current year amounted to RMB10,191,044, which was provided on the grouping basis. There were no written off of the Group's provision for bad debts for the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

(d) As at 31 December 2020, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Qingdao Port Investment and Construction (Group) Co., Ltd. ("QDP Investment Group")	Loans and others	905,680,138	Within 1 year	39.13%	(10,059,432)
Weihai Port Group Co., Ltd. ("Weihai Port Group")	Loans	300,398,750	Within 1 year	12.98%	(3,340,720)
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT")	Loans and others	167,779,238	Within 1 year	7.25%	(3,440,334)
Tianjin Aoyi Storage and Transportation Co., Ltd.	Receivables of procurement agent business	150,648,068	Within 1 year	6.51%	(459,054)
Evergreen Hong Kong Co., Ltd.	Shipping agency business advances	94,686,603	Within 1 year	4.09%	(3,873,810)
		<u>1,619,192,797</u>		<u>69.96%</u>	<u>(21,173,350)</u>

(e) As at 31 December 2020 and 31 December 2019, the Group did not recognise government grants at amounts receivable.

(f) As at 31 December 2020, the Group had no other receivables pledged as collateral for its short-term borrowings (as at 31 December 2019, other receivables with carrying amount of RMB8,747,455 was pledged as collateral for the Group's short-term borrowings of RMB6,970,000 (Note 4(23))).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Inventories

(a) Inventories are summarized by categories as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Materials and finished goods	101,766,939	—	101,766,939	173,162,964	—	173,162,964
Fuel	26,817,935	—	26,817,935	25,363,816	—	25,363,816
Spare parts	2,270,698	—	2,270,698	4,784,354	—	4,784,354
Others	6,471,706	—	6,471,706	5,449,752	—	5,449,752
	<u>137,327,278</u>	<u>—</u>	<u>137,327,278</u>	<u>208,760,886</u>	<u>—</u>	<u>208,760,886</u>

(b) Changes in ending balances of inventories for current year are analyzed as follows:

	31 December 2019	Increase in the current year	Business combinations not under common control	Decrease in the current year	31 December 2020
Materials and finished goods	173,162,964	1,321,388,013	—	(1,392,784,038)	101,766,939
Fuel	25,363,816	279,794,956	—	(278,340,837)	26,817,935
Spare parts	4,784,354	32,860,117	419,207	(35,792,980)	2,270,698
Others	5,449,752	69,009,206	—	(67,987,252)	6,471,706
	<u>208,760,886</u>	<u>1,703,052,292</u>	<u>419,207</u>	<u>(1,774,905,107)</u>	<u>137,327,278</u>

(c) As at 31 December 2020 and 31 December 2019, the management of the Group considered that there is no indication that the inventories may be impaired, therefore no provision for decline in the value of inventories is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Contract assets

	31 December 2020	31 December 2019
Contract assets	64,382,560	208,607,428
Less: Provision for contract assets	(1,552,117)	(13,984,735)
	<u>62,830,443</u>	<u>194,622,693</u>

The Group measures the provision for contract assets based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2020 and 31 December 2019, the Group's contract assets were not overdue, and had no contract assets with provision for impairment on individual basis.

(10) Other current assets

	31 December 2020	31 December 2019
Other debt investments		
– Certificates of interbank deposits (i)	2,224,427,170	4,382,429,400
Debt investments		
– Financial assets held under resale agreement (ii)	400,101,476	1,601,446,334
– Income certificates (iii)	221,810,694	—
VAT input to be deducted	253,708,778	230,330,634
	<u>3,100,048,118</u>	<u>6,214,206,368</u>

- (i) The amounts were interbank deposits purchased within 1 year in the current period by Qingdao Finance, a subsidiary of the Company. Management held such deposits for contract cash flows and for resale. Therefore, such assets were classified as financial assets measured at fair value through other comprehensive income. As assessed by the Group, certificates of interbank deposits are not exposed to significant credit risks and will not cause significant credit losses due to bank default. As at 31 December 2020, the original value of the interbank deposits was RMB2,212,144,780 and changes in fair value recorded in other comprehensive income was RMB12,282,390.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Other current assets (Continued)

- (ii) The amounts were bonds purchased by Qingdao Finance, a subsidiary of the Company which were issued by banks and other financial institutions. Such amounts will be resold to the aforementioned institutions at the appointed time. Management held such assets for contract cash flows and the cash flow characteristics of the contract are consistent with the basic loan arrangement. Therefore, such deposit certificates are classified as financial assets measured at amortized cost.

As at 31 December 2020, the Group's significant financial assets held under resale agreement were listed as follows:

	Par value	Effective interest rate	Expiry date
20 BOCOM CD028	200,000,000	3.20%	4 January 2021
20 CCB CD034	200,000,000	3.50%	4 January 2021
	<u>400,000,000</u>		

The Group has assessed that there is no significant credit risk in its holdings and will not cause major credit losses due to defaults by banks and other financial institutions. Financial assets held under resale agreement include interest calculated based on the effective interest rate method.

- (iii) The amounts were income certificates purchased by Qingdao Finance, a subsidiary of the Company, from the Shenwan Hongyuan Securities Co., Ltd. The Group held the amounts to collect contractual cash flows and the contractual cash flow characteristics were consistent with a basic lending arrangement, so they were classified as financial assets measured at amortized cost. The effective interest rate of above-mentioned income certificates ranges from 3.40% to 3.55%.

The Group expects that there is no significant credit risk associated with the amounts and does not expect that there will be any significant losses from non-performance by counterparties. Income certificates include interest calculated based on the effective interest rate method.

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term receivables

	31 December 2020	31 December 2019
Loans provided to related parties(i)	1,669,198,483	1,336,799,281
Sale and leaseback to related parties(ii)	1,773,141,757	688,998,556
Less: Current portion	<u>(60,310,383)</u>	<u>(457,290,407)</u>
	3,382,029,857	1,568,507,430
Impairment provision	(74,807,729)	(51,412,185)
Less: Current portion	<u>1,182,542</u>	<u>11,536,281</u>
	<u>(73,625,187)</u>	<u>(39,875,904)</u>
	<u>3,308,404,670</u>	<u>1,528,631,526</u>

(i) Loans to related parties are long-term loans provided by Qingdao Finance, a subsidiary of the Company. The loans and related loan impairment provisions to be recovered within one year are presented as current portion of non-current assets.

(ii) Leaseback services are provided by Qingdao Finance, a subsidiary of the Company, to related parties. The leaseback amount and related impairment provisions to be recovered within one year are presented as current portion of non-current assets.

(a) Loss provisions and the statement of changes in the carrying balance

	Stage 1	
	ECL over the next 12 months (on the grouping basis)	
	Amount	Provision for bad debt
31 December 2019	2,025,797,837	(51,412,185)
Increase in the current year	<u>1,416,542,403</u>	<u>(23,395,544)</u>
31 December 2020	<u>3,442,340,240</u>	<u>(74,807,729)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term receivables (Continued)

(a) Loss provisions and the statement of changes in the carrying balance (Continued)

As at 31 December 2020 and 31 December 2019, the Group did not have any long-term receivables for the provision of bad debts. The other receivables for the provision of bad debts are in the first stage analyzed as follows :

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group B	<u>3,442,340,240</u>	<u>(74,807,729)</u>	2.17%	<u>2,025,797,837</u>	<u>(51,412,185)</u>	2.54%

(12) Long-term equity investments

	31 December 2020	31 December 2019
Joint ventures (a)	<u>9,126,041,249</u>	8,810,888,278
Associates (b)	<u>745,712,702</u>	<u>328,241,918</u>
	<u>9,871,753,951</u>	<u>9,139,130,196</u>

As at 31 December 2020 and 31 December 2019, the Group's management considered that there was no indication that the long-term equity investments may be impaired, therefore no provision for impairment was required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2019	Transfer from associates	Movements for the current year				31 December 2020
			Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealized profit	
Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT" (i))	5,418,699,228	—	839,789,204	(8,074,350)	(817,783,089)	(11,149,955)	5,421,481,038
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,350,506,838	—	342,280,582	—	—	4,516,429	1,697,303,849
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	396,069,666	—	34,152,416	—	(10,200,000)	(3,390,175)	416,631,907
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	138,817,933	—	22,428,589	—	—	(740,297)	160,506,225
Qingdao Evergreen Container Storage and Transportation Co., Ltd. ("Evergreen Container")	45,367,884	—	17,507,063	395,278	(15,538,606)	—	47,731,619
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	43,029,653	—	5,657,884	—	(4,647,191)	—	44,040,346
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	155,490,834	—	308,567	—	—	—	155,799,401
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	43,206,605	—	1,016,127	—	(39,078,111)	—	5,144,621
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	27,315,154	—	10,060,066	—	(13,750,947)	—	23,624,273
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	9,364,743	—	677,421	—	—	—	10,042,164
Qingdao United International Shipping Agency C o., Ltd. ("United Shipping Agency")	29,056,920	—	1,860,512	—	(1,597,315)	—	29,320,117
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	127,951,921	—	(10,974,699)	—	—	—	116,977,222
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	95,371,201	—	12,020,456	—	(39,516,729)	—	67,874,928
QDOT	706,648,965	—	(8,806,452)	—	—	(5,591,645)	692,250,868
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,191,783	—	96,171	—	—	—	4,287,954
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	51,508,035	—	406,909	—	—	—	51,914,944
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	8,084,348	—	2,397,742	—	(2,469,305)	—	8,012,785
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	12,183,331	—	8,669,305	—	(14,062,612)	—	6,790,024
Qingdao PetroChina Storage Company Limited ("PetroChina Storage")	146,688,204	—	(29,844)	—	—	—	146,658,360
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	1,335,032	—	399,066	—	—	—	1,734,098
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics") (iv)	—	18,354,523	1,345,648	—	(1,785,665)	—	17,914,506
	<u>8,810,888,278</u>	<u>18,354,523</u>	<u>1,281,262,733</u>	<u>(7,679,072)</u>	<u>(960,429,570)</u>	<u>(16,355,643)</u>	<u>9,126,041,249</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

- (i) The Company holds 51% equity interests of QQCT, and the other shareholder holds 49%. The Company can designate 6 out of 11 board members in QQCT, and another 5 members are designated by the other shareholder. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally exercise control over QQCT, therefore QQCT is still accounted for as a joint venture.
- (ii) The Company holds 51% equity interests of West United. In accordance with the Articles of Association of West United, its significant financial and operating decisions should be passed at the Meeting of Shareholders, but the Board of Directors is authorized to vote on the main business decisions. The Company can designate 3 out of 5 board members in West United. The significant financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over West United, therefore, West United is account for as a joint venture.
- (iii) The Company holds 51% equity interests of Dongjiakou IMC Logistics. In accordance with the Articles of Association of Dongjiakou IMC Logistics, its significant financial and operating decisions should be passed at the Meeting of Board of Directors. The Company can designate 4 out of 7 board members in Dongjiakou IMC Logistics. The significant financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over Dongjiakou IMC Logistics, therefore West United is account for as a joint venture.
- (iv) The Company holds 50% equity interests of Lianhai Logistics. Since the date of incorporation, Lianhai Logistics had 5 board members, of which 2 are designated by the Company. The Company only has significant influence on Lianhai Logistics. Pursuant to the Board of Directors' meeting held on 16 June 2020, the number of board members in Lianhai Logistics was changed to 4, of which 2 were from the Company. The shareholders of both parties jointly controlled Lianhai Logistics, so it was converted from an associate to a joint venture.

Information on equity in joint ventures are set out in Note 6(2).

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(b) Associates

Investments in associates are set out below:

	31 December 2019	Movements for the current year				31 December 2020
		Increase/ decrease in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	Converted into a joint venture	
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	103,584,420	—	10,899,584	—	—	114,484,004
Lianhai Logistics	17,113,369	—	1,241,154	—	(18,354,523)	—
Vado Investment	74,993,197	—	(2,722,526)	—	—	72,270,671
Unitrans Group Co., Ltd. ("Unitrans")(iii)	132,550,932	—	14,592,372	(21,445,528)	—	125,697,776
COSCO SHIPPING Ports (Abu Dhabi) Co., Ltd. ("COSCO Abu Dhabi") (i)	—	420,207,777	—	—	—	420,207,777
Shandong Port Energy Co., Ltd. ("Shandong Port Energy") (ii)	—	12,250,000	312,474	—	—	12,562,474
Shandong Port Overseas Development Group Qingdao Co., Ltd. ("Overseas Development Qingdao") (iii)	—	490,000	—	—	—	490,000
	<u>328,241,918</u>	<u>432,947,777</u>	<u>24,323,058</u>	<u>(21,445,528)</u>	<u>(18,354,523)</u>	<u>745,712,702</u>

- (i) During the year, Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development"), a subsidiary of the Company, acquired 33.335% of the equity interests in COSCO SHIPPING Ports (Abu Dhabi) Limited held by COSCO SHIPPING Ports Limited at a price of USD59,276,030. International Development only has significant influence on COSCO SHIPPING Ports (Abu Dhabi) Limited, which is accounted for as an associate.
- (ii) On 8 January 2020, Qingdao Bonded Port Area Tongda Oil & Gas Co., Ltd. ("Tongda Oil & Gas"), a subsidiary of the Company, and Petrochina Kunlun Gas Co., Ltd. ("Kunlun Gas") jointly established Shandong Port Energy. Tongda Oil & Gas takes a 49% stake in Shandong Port Energy and Kunlun Gas takes a 51% stake. Tongda Oil & Gas only has significant influence on Shandong Port Energy, which is accounted for as an associate.
- (iii) On 25 November 2020, the Company and Shandong Port Overseas Development Group Co Ltd. jointly established Overseas Development Qingdao. The Company takes a 49% stake in Overseas Development Qingdao and Shandong Port Overseas Development Group Co Ltd. takes a 51% stake. The Company only has significant influence on Overseas Development Qingdao, which is accounted for as an associate.

Information on equity in associates is set out in Note 6(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Other non-current financial assets

	31 December 2020	31 December 2019
Investments in financial assets at fair value through profit or loss		
Financial bonds(i)	514,100,589	465,888,977
Equity investments (ii)	72,207,877	72,207,877
	<u>586,308,466</u>	<u>538,096,854</u>

- (i) Other non-current financial assets with a carrying amount of RMB514,100,589 were mainly bank financial bonds purchased by Qingdao Finance, a subsidiary of the Company.
- (ii) Equity investment with a carrying amount of RMB72,207,877 represents unlisted equity investments held by the Group in Binhai Hongrun Pipeline stock limited, Sinopec Qingdao Liquefied Natural Gas Co., Ltd. ("LNG") and Sanya Yalong Bay Development Co., Ltd. ("Sanya Yalong Bay") with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. The Group has no plan to dispose these investments and they are measured at fair value through profit or loss. In 2020, the Company received cash dividends of RMB11,902,300 and RMB19,500 from LNG and Sanya Yalong Bay respectively (In 2019: RMB11,214,100 and RMB58,500 respectively).

(14) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2019	44,811,262	160,420,632	205,231,894
Transfer to intangible assets	—	(2,056,135)	(2,056,135)
31 December 2020	<u>44,811,262</u>	<u>158,364,497</u>	<u>203,175,759</u>
Accumulated depreciation			
31 December 2019	(8,425,397)	(19,711,612)	(28,137,009)
Increase in the current year	(1,567,354)	(3,801,495)	(5,368,849)
Transfer to intangible assets	—	853,002	853,002
31 December 2020	<u>(9,992,751)</u>	<u>(22,660,105)</u>	<u>(32,652,856)</u>
Net book value			
31 December 2020	<u>34,818,511</u>	<u>135,704,392</u>	<u>170,522,903</u>
31 December 2019	<u>36,385,865</u>	<u>140,709,020</u>	<u>177,094,885</u>

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Investment properties (Continued)

	Buildings	Land use rights	Total
Cost			
31 December 2018	38,250,915	175,111,934	213,362,849
Transfer to intangible assets	—	(14,691,302)	(14,691,302)
Transfer from fixed assets	6,560,347	—	6,560,347
	<u>44,811,262</u>	<u>160,420,632</u>	<u>205,231,894</u>
31 December 2019			
Accumulated depreciation			
31 December 2018	(6,563,368)	(17,962,905)	(24,526,273)
Increase in the current year	(1,357,424)	(3,240,266)	(4,597,690)
Transfer to intangible assets	—	1,491,559	1,491,559
Transfer from fixed assets	(504,605)	—	(504,605)
	<u>(8,425,397)</u>	<u>(19,711,612)</u>	<u>(28,137,009)</u>
31 December 2019			
Net book value			
31 December 2019	<u>36,385,865</u>	<u>140,709,020</u>	<u>177,094,885</u>
31 December 2018	<u>31,687,547</u>	<u>157,149,029</u>	<u>188,836,576</u>

As at 31 December 2020 and 31 December 2019, the management of the Group considered that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded.

For the year ended 31 December 2020 and 2019, no interest expenses were capitalized in investment properties by the Group.

As at 31 December 2020, there were no investment properties without certificates (31 December 2019: the net book value of RMB6,055,742 and cost of RMB6,560,347 are without certificates).

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office and other equipment	Total
Cost										
31 December 2019	818,569,550	10,362,041,433	5,230,197,779	2,874,750,171	830,005,381	1,475,164,071	119,987,908	172,746,147	78,023,223	21,961,485,663
Increase in the current year										
Purchase in the current year	1,249,671	45,579	946,284	33,997,193	89,149,313	—	13,753,775	3,533,504	3,963,919	146,639,238
Transfer from construction in progress	119,185,844	1,190,469,319	357,981,381	113,846,760	131,116,860	—	—	1,813,706	2,333,233	1,916,747,103
Business combinations not under common control	52,130,159	158,775,685	70,381,605	3,367,758	47,908,568	—	116,804	938,379	28,314	333,647,272
Transfer from right-of-use assets	—	231,574,179	—	—	—	—	—	—	—	231,574,179
Decrease in the current year										
Disposal and discarding	—	(79,092)	—	(20,990,402)	(3,547,435)	(8,003,961)	(5,387,028)	(113,254)	(592,861)	(38,714,033)
31 December 2020	991,135,224	11,942,827,103	5,659,507,049	3,004,971,480	1,094,632,687	1,467,160,110	128,471,459	178,918,482	83,755,828	24,551,379,422
Accumulated depreciation										
31 December 2019	(231,537,703)	(2,342,156,773)	(1,033,709,960)	(2,455,218,659)	(620,968,128)	(691,553,129)	(83,315,037)	(121,659,755)	(40,031,185)	(7,620,150,329)
Increase in the current year										
Provision	(28,236,159)	(282,539,564)	(195,655,951)	(91,968,115)	(68,158,557)	(66,806,359)	(7,720,876)	(16,928,429)	(4,240,050)	(762,254,060)
Transfer from right-of-use assets	—	(36,690,572)	—	—	—	—	—	—	—	(36,690,572)
Decrease in the current year										
Disposal and discarding	—	75,772	—	19,528,806	3,195,356	7,603,763	4,848,424	69,190	524,595	35,845,906
31 December 2020	(259,773,862)	(2,661,311,137)	(1,229,365,911)	(2,527,657,968)	(685,931,329)	(750,755,725)	(86,187,489)	(138,518,994)	(43,746,640)	(8,383,249,055)
Net book value										
31 December 2020	731,361,362	9,281,515,966	4,430,141,138	477,313,512	408,701,358	716,404,385	42,283,970	40,399,488	40,009,188	16,168,130,367
31 December 2019	587,031,847	8,019,884,660	4,196,487,819	419,531,512	209,037,253	783,610,942	36,672,871	51,086,392	37,992,038	14,341,335,334

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office and other equipment	Total
Cost										
31 December 2018	586,623,108	9,332,275,041	5,171,491,552	2,772,222,189	799,174,384	1,472,736,470	115,314,438	160,220,359	72,283,098	20,482,340,639
Increase in the current year										
Purchase in the current year	—	1,354,253	7,776,080	68,509,026	29,525,605	—	9,218,500	7,579,309	6,772,088	130,734,861
Transfer from construction in progress	243,702,202	978,589,602	126,624,676	38,238,190	5,445,328	2,427,601	—	6,830,503	—	1,401,858,102
Transfer from right-of-use assets	—	64,819,990	10,996,527	8,133,171	—	—	—	—	—	83,949,688
Decrease in the current year										
Disposal and discarding	(5,195,413)	(479,845)	(167,569)	(12,352,405)	(4,139,936)	—	(4,545,030)	(1,884,024)	(1,031,963)	(29,796,185)
Transfer to investment properties	(6,560,347)	—	—	—	—	—	—	—	—	(6,560,347)
Others	—	(14,517,608)	(86,523,487)	—	—	—	—	—	—	(101,041,095)
31 December 2019	818,569,550	10,362,041,433	5,230,197,779	2,874,750,171	830,005,381	1,475,164,071	119,987,908	172,746,147	78,023,223	21,961,485,663

Accumulated depreciation

31 December 2018	(210,474,790)	(2,097,623,667)	(849,046,362)	(2,359,259,227)	(572,906,141)	(627,782,842)	(79,259,628)	(100,503,086)	(36,762,783)	(6,933,618,526)
Increase in the current year										
Provision	(22,010,915)	(240,982,628)	(185,979,358)	(104,580,649)	(51,812,892)	(63,770,287)	(7,865,209)	(22,175,034)	(4,176,826)	(703,353,798)
Transfer from right-of-use assets	—	(4,342,940)	(2,155,319)	(1,834,041)	—	—	—	—	—	(8,332,300)
Decrease in the current year										
Disposal and discarding	443,397	34,841	47,716	10,455,258	3,750,905	—	3,809,800	1,018,365	908,424	20,468,706
Transfer to investment properties	504,605	—	—	—	—	—	—	—	—	504,605
Others	—	757,621	3,423,363	—	—	—	—	—	—	4,180,984
31 December 2019	(231,537,703)	(2,342,156,773)	(1,033,709,960)	(2,455,218,659)	(620,968,128)	(691,553,129)	(83,315,037)	(121,659,755)	(40,031,185)	(7,620,150,329)

Net book value

31 December 2019	587,031,847	8,019,884,660	4,196,487,819	419,531,512	209,037,253	783,610,942	36,672,871	51,086,392	37,992,038	14,341,335,334
31 December 2018	376,148,318	7,234,651,374	4,322,445,190	412,962,962	226,268,243	844,953,628	36,054,810	59,717,273	35,520,315	13,548,722,113

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

The book value of fixed assets leased out by the Group through operating leases is as follows:

	Buildings	Port facilities	Storage facilities	Other equipment	Total
Cost					
31 December 2019	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
31 December 2020	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
Accumulated depreciation					
31 December 2019	(7,954,512)	(362,298,188)	(138,094,097)	(86,194)	(508,432,991)
Provision	(1,325,752)	(62,996,067)	(23,857,235)	—	(88,179,054)
31 December 2020	(9,280,264)	(425,294,255)	(161,951,332)	(86,194)	(596,612,045)
Net book value					
31 December 2020	17,704,097	1,761,973,012	762,966,513	7,729	2,542,651,351
31 December 2019	19,029,849	1,824,969,079	786,823,748	7,729	2,630,830,405

The lease contracts of buildings, port facilities, storage facilities and other equipment signed by the Group as lessor have no residual value guarantee clauses.

The depreciation amount for fixed assets for the year ended 31 December 2020 is RMB762,254,060 (For the year ended 31 December 2019: RMB703,353,798). The amounts of depreciation expenses charged to cost of sales and general expenses were RMB738,925,442 and RMB23,328,618 respectively (For the year ended 31 December 2019: RMB680,417,047 and RMB22,936,751).

For the year ended 31 December 2020, the costs of fixed assets transferred from construction in progress amount to RMB1,916,747,103 (For the year ended 31 December 2019: RMB1,401,858,102).

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

- (a) As at 31 December 2020 and 31 December 2019, there is no mortgaged fixed assets in the Group.
- (b) As at 31 December 2020 and 31 December 2019, the Group considered that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required.
- (c) As at 31 December 2020 and 31 December 2019, there were no temporarily idle fixed assets.
- (d) Fixed assets that have not received a certificate of property right:

As at 31 December 2020, properties with a carrying amount of RMB21,275,335 (Cost: RMB23,905,456) (As at 31 December 2019: book value of RMB9,122,178 (Cost: RMB10,107,873)) are located on non-owned land with a book value of RMB216,685,292 (Cost: RMB221,014,767) (As at 31 December 2019: book value of RMB242,371,578 (Cost: RMB243,210,171)). The financial statements for the completion of the project have not yet been processed, so the property right certificate has not yet been processed.

(16) Construction in progress

	31 December 2020			31 December 2019		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,088,880,896	—	1,088,880,896	1,377,601,908	—	1,377,601,908
Dongjiakou crude oil commercial reserve project	1,060,900,260	—	1,060,900,260	255,650,833	—	255,650,833
Dongjiakou bulk cargo berths and storage yard project	550,421,248	—	550,421,248	663,305,860	—	663,305,860
Dongjiakou general wharf grain silo phase II project	129,025,524	—	129,025,524	—	—	—
Other projects	239,674,346	—	239,674,346	214,055,542	—	214,055,542
	<u>3,068,902,274</u>	<u>—</u>	<u>3,068,902,274</u>	<u>2,510,614,143</u>	<u>—</u>	<u>2,510,614,143</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Construction in progress (Continued)

(a) Changes of major projects

Project name	Budget	31 December 2019	Increase in the current year	Business combinations not under common control	Transfer to fixed assets	31 December 2020	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current year	Capitalization rate in the current Year	Sources of capital
Dongjiakou stevedoring storage and transportation projects for liquid bulk cargo	5,245,979,000	1,377,601,908	1,182,838,130	—	(1,471,559,142)	1,088,880,896	75%	75%	—	—	—	Internal capital
Dongjiakou crude oil commercial reserve project	4,480,000,000	255,650,833	809,092,675	—	(3,843,248)	1,060,900,260	24%	24%	—	—	—	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,597,366,000	663,305,860	160,525,381	—	(273,409,993)	550,421,248	79%	79%	31,361,444	691,579	4.90%	Internal capital, bank loan and raised funds
Dongjiakou general wharf grain silo phase II project	798,259,500	—	129,025,524	—	—	129,025,524	16%	16%	—	—	—	Internal capital
Other projects		214,055,542	189,885,142	3,668,382	(167,934,720)	239,674,346			—	—	—	Internal capital
		2,510,614,143	2,471,366,852	3,668,382	(1,916,747,103)	3,068,902,274			31,361,444	691,579		
Project name	Budget	31 December 2018	Increase in the current year	Transfer to fixed assets	Other decrease in the current year	31 December 2019	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current year	Capitalization rate in the current Year	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	3,700,925,000	1,102,758,037	1,376,407,713	(1,101,563,842)	—	1,377,601,908	75%	75%	—	—	—	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,683,790,000	786,900,531	79,085,475	(117,302,446)	(85,377,700)	663,305,860	77%	77%	30,669,865	921,485	4.90%	Internal capital and bank loan
Dongjiakou crude oil commercial reserve project	1,238,725,000	—	255,650,833	—	—	255,650,833	21%	21%	—	—	—	Internal capital
Other projects		151,560,642	245,486,714	(182,091,814)	—	214,055,542			—	—	—	Internal capital
		2,041,219,210	1,956,630,735	(1,401,858,102)	(85,377,700)	2,510,614,143			30,669,865	921,485		

As at 31 December 2020 and 31 December 2019, the management of the Group considered that there is no indication that the construction in progress may be impaired, therefore no provision for impairment was recorded.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Right-of-use assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost						
31 December 2019	1,871,306	262,314,357	171,378,705	135,464,068	91,439,655	662,468,091
Increase in the current year						
New lease contracts	—	—	43,209,792	—	—	43,209,792
Decrease in the current year						
Lease change	—	(231,574,179)	—	—	—	(231,574,179)
31 December 2020	1,871,306	30,740,178	214,588,497	135,464,068	91,439,655	474,103,704

Accumulated depreciation

31 December 2019	(259,904)	(24,223,067)	(35,751,196)	(56,053,261)	(4,825,982)	(121,113,410)
Increase in the current year						
Provision	(623,769)	(16,234,888)	(47,699,874)	(8,474,297)	(4,825,982)	(77,858,810)
Decrease in the current year						
Lease change	—	36,690,572	—	—	—	36,690,572
31 December 2020	(883,673)	(3,767,383)	(83,451,070)	(64,527,558)	(9,651,964)	(162,281,648)

Net book value

31 December 2020	987,633	26,972,795	131,137,427	70,936,510	81,787,691	311,822,056
31 December 2019	1,611,402	238,091,290	135,627,509	79,410,807	86,613,673	541,354,681

	Buildings	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost						
31 December 2018	—	324,485,476	166,686,184	137,715,817	91,439,655	720,327,132
Increase in the current year						
New lease contracts	1,871,306	2,648,871	15,689,048	5,881,422	—	26,090,647
Decrease in the current year						
Lease change	—	(64,819,990)	(10,996,527)	(8,133,171)	—	(83,949,688)
31 December 2019	1,871,306	262,314,357	171,378,705	135,464,068	91,439,655	662,468,091

Accumulated depreciation

31 December 2018	—	(16,021,206)	(703,778)	(43,798,477)	—	(60,523,461)
Increase in the current year						
Provision	(259,904)	(12,544,801)	(37,202,737)	(14,088,825)	(4,825,982)	(68,922,249)
Decrease in the current year						
Lease change	—	4,342,940	2,155,319	1,834,041	—	8,332,300
31 December 2019	(259,904)	(24,223,067)	(35,751,196)	(56,053,261)	(4,825,982)	(121,113,410)

Net book value

31 December 2019	1,611,402	238,091,290	135,627,509	79,410,807	86,613,673	541,354,681
31 December 2018	—	308,464,270	165,982,406	93,917,340	91,439,655	659,803,671

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For the year ended 31 December 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2019	2,565,864,495	113,512,362	76,548,790	50,178,663	2,806,104,310
Increase in the current year					
Purchase	306,686,014	8,438,076	—	—	315,124,090
Internal research and development	—	41,956,722	—	—	41,956,722
Transfer from investment properties	2,056,135	—	—	—	2,056,135
Business combinations not under common control	69,036,204	—	—	—	69,036,204
Decrease in the current year					
Disposal	—	(6,610,573)	—	—	(6,610,573)
31 December 2020	2,943,642,848	157,296,587	76,548,790	50,178,663	3,227,666,888
Accumulated amortization					
31 December 2019	(133,728,828)	(58,498,418)	(7,193,390)	(38,276,058)	(237,696,694)
Increase in the current year					
Provision	(55,226,865)	(18,902,818)	(474,232)	(3,006,250)	(77,610,165)
Transfer from investment properties	(853,002)	—	—	—	(853,002)
Decrease in the current year					
Disposal	—	3,008,967	—	—	3,008,967
31 December 2020	(189,808,695)	(74,392,269)	(7,667,622)	(41,282,308)	(313,150,894)
Book value					
31 December 2020	2,753,834,153	82,904,318	68,881,168	8,896,355	2,914,515,994
31 December 2019	2,432,135,667	55,013,944	69,355,400	11,902,605	2,568,407,616

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets (Continued)

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2018	1,986,648,140	95,260,008	116,297,540	50,178,663	2,248,384,351
Increase in the current year					
Purchase	564,708,386	4,385,594	—	—	569,093,980
Internal research and development	—	13,866,760	—	—	13,866,760
Transfer from investment properties	14,691,302	—	—	—	14,691,302
Decrease in the current year					
Cost reimbursement for sea reclamation	—	—	(39,748,750)	—	(39,748,750)
Disposal	(183,333)	—	—	—	(183,333)
31 December 2019	2,565,864,495	113,512,362	76,548,790	50,178,663	2,806,104,310

Accumulated amortization

31 December 2018	(90,053,317)	(44,115,357)	(9,091,795)	(35,269,808)	(178,530,277)
Increase in the current year					
Provision	(42,200,619)	(14,383,061)	(1,362,856)	(3,006,250)	(60,952,786)
Transfer from investment properties	(1,491,559)	—	—	—	(1,491,559)
Decrease in the current year					
Cost reimbursement for sea reclamation	—	—	3,261,261	—	3,261,261
Disposal	16,667	—	—	—	16,667
31 December 2019	(133,728,828)	(58,498,418)	(7,193,390)	(38,276,058)	(237,696,694)

Book value

31 December 2019	2,432,135,667	55,013,944	69,355,400	11,902,605	2,568,407,616
31 December 2018	1,896,594,823	51,144,651	107,205,745	14,908,855	2,069,854,074

For the year ended 31 December 2020, the amount of amortization for intangible assets is RMB77,610,165 (For the year ended 31 December 2019: RMB60,952,786), the amount of amortization cost of land use rights recorded in construction in progress is RMB1,315,231 (For the year ended 31 December 2019: RMB1,190,806).

As at 31 December 2020, the group has no land that is still in the process of certificate application (As at 31 December 2019, the land use right with a book value of RMB141,114,331 (Cost: RMB141,804,988) was newly purchased, which is still in the process of certificate application).

As at 31 December 2020 and 31 December 2019, there are no pledged land use rights.

As at 31 December 2020 and 31 December 2019, the management of the Group considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required.

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets (Continued)

The Group's Development expenses are as follows:

	31 December 2019	Increase in current year	Decrease in the current year		31 December 2020
			Recorded in profit and loss	Recognized as intangible assets	
Information maintenance and software	—	58,516,156	(16,559,434)	(41,956,722)	—
Patented technology	—	3,618,918	(3,618,918)	—	—
	—	62,135,074	(20,178,352)	(41,956,722)	—

For the year ended 31 December 2020, the Group's research and development expenses amounted to RMB62,135,074 (For the year ended 31 December 2019: RMB47,630,887), of which RMB20,178,352 (For the year ended 31 December 2019: RMB33,764,127) was charged in profit and loss for the current year, of which RMB41,956,722 (For the year ended 31 December 2019: RMB13,866,760) was recognized as intangible assets. As at 31 December 2020, the intangible assets developed by the Group accounted for 2.52% (31 December 2019: 1.86%) of the carrying amount of the total intangible assets.

(19) Goodwill

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Goodwill –				
Red Star Logistics	—	27,996,716	—	27,996,716
Qingdao Haiye Mercurial Logistics Co., Ltd. ("Mercurial Logistics")	10,129,085	—	—	10,129,085
Qingdao Gangyuntai Logistics Co., Ltd. ("Gangyuntai Logistics")	4,686,830	—	—	4,686,830
Other	10,557,408	—	—	10,557,408
	25,373,323	27,996,716	—	53,370,039
Less: Provision for impairment – Gangyuntai Logistics	(4,686,830)	—	—	(4,686,830)
	(4,686,830)	—	—	(4,686,830)
	20,686,493	27,996,716	—	48,683,209

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Goodwill (Continued)

Goodwill recognised in the current year arose from acquisition of 90% of the equity interests in Red Star Logistics (Note 5(1)).

The Group's goodwill was all allocated to related asset groups or groups of asset groups on the acquisition date, without any change of goodwill allocation in 2020. The allocation was summarised by the operating segment as follows:

	31 December 2020	31 December 2019
Red Star Logistics	27,996,716	—
Mercurial Logistics	10,129,085	10,129,085
Other	15,244,238	15,244,238
	<u>53,370,039</u>	<u>25,373,323</u>

During the goodwill impairment test, the Group compares the carrying amount of the relevant assets or sets of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be recognised in profit or loss for the current year.

The Group determines the growth rate and gross profit rate based on historical experience and forecasts of market development, and uses a pre-tax interest rate that reflects the specific risks of the relevant asset group as the discount rate, which is approximately 12%. The growth rate in the forecast period is determined based on the five-year budget of the relevant asset group. The growth rate in the stable period is determined by the Group with reference to the historical price index using an average growth rate of 3%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets revaluation surplus	2,791,909,644	697,977,411	2,859,155,888	714,788,972
Early retirement benefits	57,800,000	14,450,000	63,420,000	15,855,000
Elimination of intra-group unrealized profit	438,703,904	109,675,976	375,004,588	93,751,147
Provision for asset impairment	285,830,815	71,282,554	225,453,220	55,983,554
Accrued expenses	29,965,453	7,491,363	34,100,380	8,525,095
Deductible losses	75,112,459	18,778,115	46,912,100	11,728,025
Government grant	89,054,903	22,263,726	86,403,257	21,600,814
	<u>3,768,377,178</u>	<u>941,919,145</u>	<u>3,690,449,433</u>	<u>922,232,607</u>
Including:				
Expected to be recovered within one year (inclusive)		32,438,145		32,290,612
Expected to be recovered after one year		<u>909,481,000</u>		<u>889,941,995</u>
		<u>941,919,145</u>		<u>922,232,607</u>

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	216,127,024	54,031,756	89,181,748	22,295,437
Depreciation of fixed assets	68,379,520	17,094,880	49,467,094	12,366,774
Changes in fair value of wealth management products	18,017,660	4,504,415	14,011,388	3,502,847
	<u>302,524,204</u>	<u>75,631,051</u>	<u>152,660,230</u>	<u>38,165,058</u>
Including:				
Expected to be recovered within one year (inclusive)		7,400,656		6,760,082
Expected to be recovered after one year		<u>68,230,395</u>		<u>31,404,976</u>
		<u>75,631,051</u>		<u>38,165,058</u>

(c) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analyzed as follows:

	31 December 2020	31 December 2019
Deductible temporary differences	20,008,509	18,996,560
Deductible losses	<u>200,233,067</u>	<u>158,447,929</u>
	<u>220,241,576</u>	<u>177,444,489</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Deferred tax assets and deferred tax liabilities (Continued)

(d) Deductible losses that are not recognized as deferred tax assets will expire in the following years:

	31 December 2020	31 December 2019
2021	—	—
2022	—	11,915,786
2023	37,909,231	55,866,193
2024	90,435,589	90,665,950
2025	71,888,247	—
	<u>200,233,067</u>	<u>158,447,929</u>

(e) The net balances of deferred tax assets after offsetting are as follows:

	31 December 2020		31 December 2019	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	(21,599,295)	920,319,850	(15,869,621)	906,362,986
Deferred tax liabilities	<u>(21,599,295)</u>	<u>54,031,756</u>	<u>(15,869,621)</u>	<u>22,295,437</u>

(21) Other non-current assets

	31 December 2020	31 December 2019
Foundation oil (i)	290,316,583	154,048,708
Construction and equipment expenditures prepaid	188,394,022	97,865,742
VAT input to be deducted	179,460,728	182,529,721
Taxes advance receipt from port facilities rental income (ii)	<u>153,385,112</u>	<u>164,870,124</u>
	<u>811,556,445</u>	<u>599,314,295</u>

(i) The Company's subsidiary, Weifang Port Lianhua Storage Co., Ltd. ("Weifang Port Lianhua"), Qingdao Haiye Mercuria Storage Co., Ltd. ("Mercuria Storage") and Dongying Port Lianhua Storage Co., Ltd. ("Dongying Port Lianhua") and Red Star Logistics purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

(ii) The Group leased out certain land use rights, port facilities, storage facilities and other assets (collectively "Port Facilities") in Qianwan Port Area to QQCT, a joint venture of the Group with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculated the tax and surcharges relating to the amounts received and recorded them as other non-current assets. The amount of taxes paid has been amortized to the other tax items in tax and surcharges pursuant to rental income recognized in each period.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Provision for asset impairment

	31 December 2019	Changes in accounting policies	1 January 2020	Increase in the current year	Decrease in the current year		31 December 2020
					Reversal	Write-off	
Provision for bad debts of notes receivables	4,695,165	—	4,695,165	—	(2,204,000)	—	2,491,165
Including : Provision for bad debts on the individual basis	—	—	—	—	—	—	—
Provision for bad debts on the grouping basis	4,695,165	—	4,695,165	—	(2,204,000)	—	2,491,165
Provision for bad debts of accounts receivable	166,415,834	—	166,415,834	63,091,131	(1,320,814)	—	228,186,151
Including : Provision for bad debts on the individual basis	20,317,373	—	20,317,373	1,011,950	(1,320,814)	—	20,008,509
Provision for bad debts on the grouping basis	146,098,461	—	146,098,461	62,079,181	—	—	208,177,642
Provision for bad debts of other receivables	31,019,382	—	31,019,382	10,191,044	—	—	41,210,426
Including : Provision for bad debts on the individual basis	—	—	—	—	—	—	—
Provision for bad debts on the grouping basis	31,019,382	—	31,019,382	10,191,044	—	—	41,210,426
Provision for impairment of contract assets	13,984,735	(13,984,735)	—	—	—	—	—
Provision for impairment of long-term receivables	51,412,185	—	51,412,185	23,395,544	—	—	74,807,729
Subtotal	267,527,301	(13,984,735)	253,542,566	96,677,719	(3,524,814)	—	346,695,471
Goodwill impairment provision	4,686,830	—	4,686,830	—	—	—	4,686,830
Provision for impairment of contract assets	—	13,984,735	13,984,735	—	(12,432,618)	—	1,552,117
Subtotal	4,686,830	13,984,735	18,671,565	—	(12,432,618)	—	6,238,947
	<u>272,214,131</u>	<u>—</u>	<u>272,214,131</u>	<u>96,677,719</u>	<u>(15,957,432)</u>	<u>—</u>	<u>352,934,418</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Short-term borrowings

	Currency	31 December 2020	31 December 2019
Unsecured borrowings	USD	94,611,050	18,928,589
Unsecured borrowings	RMB	40,176,451	102,500,000
Secured borrowings	RMB	—	6,970,000
Interest payable	RMB&USD	345,805	197,983
		<u>135,133,306</u>	<u>128,596,572</u>

As at 31 December 2020, the interest rate of short-term borrowings ranges from 4.50% to 5.22% (31 December 2019: 4.50% to 7.00%).

As at 31 December 2020, the Group has no secured borrowings (31 December 2019: secured borrowing of RMB6,970,000 was factoring borrowings pledged with other receivables by International Trade Logistics (Note 4(7)(f)).

(24) Notes payable

	31 December 2020	31 December 2019
Trade acceptance notes	599,220,742	805,497,045
Bank acceptance notes	<u>290,959,891</u>	<u>359,272,738</u>
	<u>890,180,633</u>	<u>1,164,769,783</u>

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Accounts payable

	31 December 2020	31 December 2019
Material expenditure payable	559,858,519	759,261,798
Transportation expenses payable	161,752,196	198,572,153
Agency fee payable	148,311,874	80,494,250
Subcontract costs payable	145,708,481	239,180,821
Repair expenses payable	58,679,269	38,125,242
Subcontract handling expenses payable	48,496,803	31,620,722
Rental expenses payable	21,190,163	19,896,497
Others	53,293,383	44,514,600
	<u>1,197,290,688</u>	<u>1,411,666,083</u>

(a) The ageing of accounts payable based on their recording dates is analyzed as follows:

	31 December 2020	31 December 2019
Within 1 year	1,114,693,166	1,298,696,285
Over 1 year	82,597,522	112,969,798
	<u>1,197,290,688</u>	<u>1,411,666,083</u>

As at 31 December 2020, accounts payable over one year amounted to RMB82,597,522 (31 December 2019: RMB112,969,798), which were mainly subcontract costs payable for unsettled constructions.

(26) Contract Liabilities

	31 December 2020	31 December 2019
Loading fee received in advance	62,525,759	57,131,245
Construction fee received in advance	38,880,967	78,363,503
Logistic fee received in advance	18,961,822	78,529,777
Tug fees collected in advance	10,684,724	12,662,753
Information maintenance fee received in advance	7,429,204	2,890,000
Material and equipment fee received in advance	6,971,873	15,398,732
Others	3,238,815	556,712
	<u>148,693,164</u>	<u>245,532,722</u>

The balance of the Group's contract liabilities amounted to RMB245,532,722 included in the carrying amount on 31 December 2019 (For the year ended 31 December 2019: RMB134,964,090) has been recognized into revenue from main operations for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable

	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	292,745,994	176,020,528
Defined contribution plans payable (b)	5,640,038	5,945,488
Termination benefits payable (c)	11,230,000	11,950,000
Defined benefit plans payable (d)	130,400,000	114,580,000
	<u>440,016,032</u>	<u>308,496,016</u>

(a) Short-term employee benefits

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	137,303,601	1,233,101,776	(1,124,578,689)	245,826,688
Employee welfare	10,995	111,875,004	(111,864,657)	21,342
Social security contributions	23,358	73,896,377	(73,919,735)	—
Including: Medical insurance	19,763	72,674,528	(72,694,291)	—
Work injury insurance	225	1,208,102	(1,208,327)	—
Maternity insurance	3,370	13,747	(17,117)	—
Housing fund	11,991	110,448,156	(110,425,512)	34,635
Labor union funds and employee education funds	7,569,700	26,488,893	(26,222,156)	7,836,437
Outsourcing costs	31,086,068	440,977,259	(433,041,435)	39,021,892
Others	14,815	385,366	(395,181)	5,000
	<u>176,020,528</u>	<u>1,997,172,831</u>	<u>(1,880,447,365)</u>	<u>292,745,994</u>

(b) Defined contribution plans

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Basic pensions	35,932	72,895,719	(72,931,651)	—
Unemployment insurance	1,572	3,206,790	(3,208,362)	—
Enterprise annuity	5,907,984	75,388,992	(75,656,938)	5,640,038
	<u>5,945,488</u>	<u>151,491,501</u>	<u>(151,796,951)</u>	<u>5,640,038</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable (Continued)

(c) Termination benefits payable

	31 December 2020	31 December 2019
Early retirement benefits payable (Current portion)	<u>11,230,000</u>	<u>11,950,000</u>

Early retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(36)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	31 December 2020	31 December 2019
Supplemental retirement benefits (Current portion)	<u>130,400,000</u>	<u>114,580,000</u>

Supplemental retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(36)), the current portion of which is presented as employee benefits payable.

(28) Taxes payable

	31 December 2020	31 December 2019
Enterprise income tax payable	219,081,420	195,268,696
Unpaid VAT	16,477,279	19,114,794
Land use tax payable	14,202,650	13,524,254
Property tax payable	2,180,674	1,757,232
Stamp duty payable	1,379,807	2,370,587
Individual income tax payable	1,211,066	930,873
Deed tax payable	—	10,127,351
Others	<u>1,844,145</u>	<u>5,770,043</u>
	<u>256,377,041</u>	<u>248,863,830</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Other payables

	31 December 2020	31 December 2019
Customer deposits by Qingdao Finance (i)	6,357,314,626	4,759,108,178
Construction and equipment expenditures payable (ii)	1,963,945,785	1,470,147,099
Payables and advances from agent business (iii)	624,260,853	673,439,817
Guarantees and deposits payable	124,585,777	93,572,912
Dividends payable	110,535,373	312,469
Rail freight collected on behalf	52,332,945	23,822,763
Borrowings from minority shareholders(iv)	41,093,824	28,000,000
Port construction fees payable (v)	31,611,371	54,897,823
Interest of customer deposits by Qingdao Finance (i)	27,099,914	15,823,682
Others	88,277,629	81,407,071
	<u>9,421,058,097</u>	<u>7,200,531,814</u>

- (i) Customer deposits and its interests are primarily taken by Qingdao Finance, a subsidiary of the Company, from the Group's related parties.
- (ii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Payables and advances from agent business mainly are payables and advances received on behalf of other parties by the Group relating to the entrustment from ship owners to go through the necessary procedures for the ship's access to the port and agent procurement businesses.
- (iv) As at 31 December 2020, the amount was borrowed by Red Star Logistics, a subsidiary of the Company, from Guizhou Red Star Development Co., Ltd. and Zhenning Hongdie Industry Co., Ltd. (31 December 2019: The amount was borrowed from minority shareholders by Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics"), a subsidiary of the Company).
- (v) Port construction fees payable are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (a) As at 31 December 2020, other payables over 1 year of RMB479,302,048 (31 December 2019: RMB389,667,081) were mainly construction and equipment expenditures payable which remain outstanding as are not due.

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Current portion of non-current liabilities

	31 December 2020	31 December 2019
Current portion of long-term borrowings (Note 4(31))	30,515,717	28,591,308
Current portion of debentures payable (Note 4(32))	2,174,322,091	56,122,334
Current portion of lease liabilities (Note 4(33))	84,079,394	150,919,886
	<u>2,288,917,202</u>	<u>235,633,528</u>

(31) Long-term borrowings

	Currency	31 December 2020	31 December 2019
Unsecured borrowings	EUR	82,887,952	75,632,301
Unsecured borrowings	RMB	57,250,687	85,160,687
Interest payable	RMB & EUR	85,717	681,308
Less: Current portion		<u>(30,515,717)</u>	<u>(28,591,308)</u>
		<u>109,708,639</u>	<u>132,882,988</u>

As at 31 December 2020, interest rate of the long-term borrowings ranges from 2.60% to 4.90% (31 December 2019: 2.60% to 4.90%).

(32) Bonds payable

	31 December 2019	Repayment in the current year	Interest accrued by par value	current portion of payable	31 December 2020
Corporate bonds payable	<u>2,173,022,334</u>	<u>(77,901,920)</u>	<u>79,201,677</u>	<u>(2,174,322,091)</u>	<u>—</u>

As at 31 December 2019, bonds payable of RMB2,173,022,334 included principal of RMB2,116,900,000 and interest of RMB56,122,334 payable within one year in current portion of non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Bonds payable (Continued)

Information about bonds are as follows:

	Par value	Issue date	Maturity period of bond	Issue value of bond
Corporate bonds payable	1,500,000,000	18 March 2016	5 years	1,500,000,000
Corporate bonds payable	2,000,000,000	8 June 2016	5 years	2,000,000,000

Under Zheng Jian Xu Ke [2016] No.153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB1.5 billion and the second tranche of corporate bonds of RMB2 billion on 18 March 2016 and 8 June 2016, respectively with the term of five years. The Company has an option of raising the coupon rate and the investors have an option to sell back the bonds at the end of the third year. If the investors do not register for resale within the resale registration period, the term of bonds is 5 years. Interest of the bonds is paid annually and calculated by the simple interest method.

As at 31 December 2020, the Group included the principal and interest of debentures payable of RMB2,116,900,000, and the maturity dates were 18 March 2021 and 8 June 2021, respectively. As at 31 December 2020, the Group included the principal and interest of debentures payable of RMB2,116,900,000 and RMB57,422,091 to be paid within one year in current portion of non-current liabilities.

(33) Lease liability

	31 December 2020	31 December 2019
Lease liabilities	223,188,629	529,221,202
Less: Current portion	(84,079,394)	(150,919,886)
	<u>139,109,235</u>	<u>378,301,316</u>

As at 31 December 2020, there was no variable lease payment based on certain percentage of sales and no lease payments related to signed but not yet started lease contracts.

(34) Long-term payables

	31 December 2020	31 December 2019
Collection and payment of welfare expenses on behalf of Qingdao Port Group	42,993,544	45,195,019
Less: Current portion of welfare expenses	(2,020,000)	(2,100,000)
	<u>40,973,544</u>	<u>43,095,019</u>

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Deferred revenue

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020	Reason
Government grants (a)	<u>213,850,289</u>	<u>73,121,500</u>	<u>(6,924,298)</u>	<u>280,047,491</u>	Special funds for outer channel, etc.

(a) Government grants

	31 December 2019	Increase in current year	Recorded in other income in the current year	31 December 2020	Assets related/ income related
Special funds for outer channel (i)	127,447,032	—	(3,914,444)	123,532,588	Assets related
Special support fund (ii)	73,461,185	—	(1,464,282)	71,996,903	Assets related
Central government funding subsidies for food security (iii)	—	67,460,000	—	67,460,000	Assets related
Support funds for smart port pilot project	6,000,000	—	—	6,000,000	Assets related
Special subsidy for shore power projects	6,942,072	—	(1,545,572)	5,396,500	Assets related
Others	—	5,661,500	—	5,661,500	Assets related
	<u>213,850,289</u>	<u>73,121,500</u>	<u>(6,924,298)</u>	<u>280,047,491</u>	

- (i) The special funds for outer channel are granted by the Ministry of Transport and the Ministry of Finance to the Group to be used for outer channel expansion project, and are recognized into profit or loss on a straight-line basis over the useful lives of the asset.
- (ii) The special support fund is the project support fund received by Qingdao Port Jimo Port International Logistics Co., Ltd. ("Jimo Logistics") from the Jimo District Government of Qingdao pursuant to the *Qingdao Port Jimo Port Investment Project Policy Support Agreement*, to be used for the project, and are recognized into profit or loss on a straight-line basis over the useful lives of the asset.
- (iii) The central financial subsidy for food security guarantees is the project support fund received by Dongjiakou General Terminal from the State Bureau of Grain and Material Reserves for the second phase of the grain silo project, and will be transferred to fixed assets after the completion of the construction of the asset averagely included in the current profit and loss within the useful life.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Long-term employee benefits payable

	31 December 2020	31 December 2019
Early retirement benefits payable (a)	57,800,000	63,420,000
Supplemental retirement benefits payable (b)	2,410,390,000	2,482,130,000
Less: Current portion	<u>(141,630,000)</u>	<u>(126,530,000)</u>
	<u>2,326,560,000</u>	<u>2,419,020,000</u>

Early retirement benefits represent the Group's actuarial assumptions of early retirement benefits to be paid for the early retired employees from the off-duty date to the normal retirement date by discounting the expected future cash outflows using the interest rate of government bonds that have terms to maturity approximating to the terms of the early retirement benefits and are recognized as liabilities. Supplemental retirement benefits represent the Group's actuarial assumptions of benefits to be paid by discounting the expected future cash outflows using interest rate of government bonds that have terms to maturity approximating to the terms of the supplemental retirement benefits and are recognized as liabilities.

Early retirement benefits payable and supplemental retirement benefits payable within one year are recorded in employee benefits payable (Note 4(27)).

(a) Early retirement benefits of the Group:

	31 December 2020	31 December 2019
Early retirement benefits	57,800,000	63,420,000
Less: current portion	<u>(11,230,000)</u>	<u>(11,950,000)</u>
	<u>46,570,000</u>	<u>51,470,000</u>

(b) Supplemental retirement benefits of the Group:

	31 December 2020	31 December 2019
Supplemental retirement benefits	2,410,390,000	2,482,130,000
Less: Current portion	<u>(130,400,000)</u>	<u>(114,580,000)</u>
	<u>2,279,990,000</u>	<u>2,367,550,000</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Long-term employee benefits payable (Continued)

- (c) Movements for the Group's early retirement benefits and supplemental retirement benefits are analyzed as follows:

	Early retirement benefits	Supplemental retirement benefits
1 January 2020	63,420,000	2,482,130,000
Amount recognized in profit or loss for the current year		
Service cost	5,320,000	50,990,000
Net interest expenses on the net obligations	1,860,000	84,840,000
Re-measurement amount		
Actuarial losses/(gains) for the current year	760,000	(106,530,000)
Payment of benefits	(13,560,000)	(100,310,000)
Personnel transfer out	—	(730,000)
	<u>57,800,000</u>	<u>2,410,390,000</u>
31 December 2020		
	Early retirement benefits	Supplemental retirement benefits
1 January 2019	85,930,000	2,540,220,000
Amount recognized in profit or loss for the current year		
Service cost	480,000	4,670,000
Net interest expenses on the net obligations	2,520,000	86,890,000
Re-measurement amount		
Actuarial gains for the current year	(6,580,000)	(50,660,000)
Payment of benefits	(18,930,000)	(98,990,000)
	<u>63,420,000</u>	<u>2,482,130,000</u>
31 December 2019		

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Long-term employee benefits payable (Continued)

- (d) Liabilities of early retirement benefits and supplemental retirement benefits as at the balance sheet date of the Group are calculated using projected unit credit method. Significant actuarial assumptions used are as follows:

	31 December 2020	31 December 2019
Discount rate – early retirement benefits	3.00%	3.25%
Discount rate – supplemental retirement benefits	3.50%	3.50%
Salary and welfare growth rate – early retirement benefits	10%	10%
Jinglao allowance growth rate and Fushou allowance growth rate -supplemental retirement benefits	—	3% – 5%
Medical benefit growth rate	5%	8%

For the year ended 31 December 2020 and 2019, the assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2010-2013) translated forward by three years. The actuarial assumptions are analyzed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Supplemental retirement benefits –		
Average age	52.68	52.66
Average residual expected future entire duration	30.21	30.18

- (e) The sensitivity analysis of the principal actuary assumptions adopted in the present value of the defined benefit liability of the Group is as follows:

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate – early retirement benefits	0.25%	1.44% down	1.50% up
Discount rate – supplemental retirement benefits	0.25%	3.35% down	3.56% up
Salary and welfare growth rate – early retirement benefits	1%	5.06% up	4.50% down
Medical benefit growth rate	1%	7.19% up	5.55% down

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the projected unit credit method has been applied.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Long-term employee benefits payable (Continued)

- (f) As at 31 December 2020, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	11,260,000	9,940,000	15,410,000	34,040,000	70,650,000
Supplemental retirement benefits	<u>130,370,000</u>	<u>129,410,000</u>	<u>386,130,000</u>	<u>6,157,470,000</u>	<u>6,803,380,000</u>
	<u>141,630,000</u>	<u>139,350,000</u>	<u>401,540,000</u>	<u>6,191,510,000</u>	<u>6,874,030,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to various risks, of which the main risk is the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.
- (h) Early retirement benefits and supplemental retirement benefits recognized in profit or loss for the current year are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
General and administrative expenses	57,070,000	(1,430,000)
Financial expenses	<u>86,700,000</u>	<u>89,410,000</u>

(37) Other non-current liabilities

	31 December 2020	31 December 2019
Lease payments collected in advance	<u>2,683,842,524</u>	<u>2,888,198,834</u>

Lease payments collected in advance mainly comprise port facilities lease payments collected in advance from related party QQCT, dock basin lease payments collected in advance from Qingdao Qianwan Container Terminal Co., Ltd ("QQCTN") and Qingdao Qianwan United Container Terminal Co., Ltd ("QQCTU") with a period of 30 years and Qianwan Port area storage yard lease payment collected in advance from Kubo International Mining Co., Ltd with a period of 3 years.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Share capital

	31 December 2019	Movements for the current year	31 December 2020
Foreign shares issued overseas	1,099,025,000	—	1,099,025,000
RMB denominated common stock	5,392,075,000	—	5,392,075,000
	<u>6,491,100,000</u>	<u>—</u>	<u>6,491,100,000</u>
	31 December 2018	New issue of shares	31 December 2019
Foreign shares issued overseas	1,099,025,000	—	1,099,025,000
RMB denominated common stock	4,937,699,000	454,376,000	5,392,075,000
	<u>6,036,724,000</u>	<u>454,376,000</u>	<u>6,491,100,000</u>

The Company completed the first issue of 705,800,000 overseas issuance of foreign shares to foreign investors on 6 June 2014. For the work of H-shares, the issue price per share was HKD3.76 (approximately RMB2.98), and the share capital increased to 4,705,800,000 shares after the issue. On 2 July 2014, the Company exercised the over-allotment option and completed the issuance of 72,404,000 shares of foreign-invested H-shares issued overseas. The issue price per share was HK\$3.76 (approximately RMB2.99), and the excess was exercised. After the placement option, the share capital increased to 4,778,204,000 shares. The above funds were verified by Xinyong Zhonghe Certified Public Accountants Co., Ltd. (Special General Partnership) Co., Ltd. and issued a capital verification report numbered XYZH/2014QDA2002.

The Company completed the placement of 243,000,000 new H-shares on 18 May 2017 at a placing price of HKD4.32 (approximately equivalent to RMB3.81) per share. The share capital increased to 5,021,204,000 shares upon completion of the placement. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 527 issued accordingly.

The Company determined private placement of 1,015,520,000 domestic shares on 22 May 2017 to Shanghai China Shipping Terminal at a subscription price of RMB5.71 per share. Upon completion of the private placement of domestic shares, the share capital increased to RMB6,036,724,000. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 526 issued accordingly.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Share capital (Continued)

Pursuant to the China Securities Regulatory Commission's Securities Regulatory Commission [2018] No. 1839 issued on 14 November 2018, *Review of the Approval of the Initial Public Offering of Qingdao Port International Co., Ltd.*, the Company was approved to submit to the public issued 454,376,000 ordinary shares at an issue price of RMB4.61 per share. The above funds were put in place in January 2019 and were verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2019) No.0026 issued accordingly. The total amount of funds raised this time was RMB2,094,673,360, the company's share capital increased by RMB454,376,000, after deducting the issue cost of RMB115,743,592, the remaining RMB1,524,553,768 was included in capital reserve (Share premium).

(39) Capital surplus

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium –				
Capital premium contributed by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters(a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	8,652,856,972	—	—	8,652,856,972
Shares issue expenses (b)	(242,175,098)	—	—	(242,175,098)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognized from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Subsidiary minority shareholders paid a premium	15,245,576	—	—	15,245,576
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	24,888,823	—	(7,679,072)	17,209,751
	<u>12,326,352,961</u>	<u>—</u>	<u>(7,679,072)</u>	<u>12,318,673,889</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Capital surplus (Continued)

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium –				
Capital premium contributed by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters(a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	7,012,559,612	1,640,297,360	—	8,652,856,972
Shares issue expenses (b)	(126,431,506)	(115,743,592)	—	(242,175,098)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognized from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Subsidiary minority shareholders paid a premium	—	15,245,576	—	15,245,576
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	16,303,999	8,584,824	—	24,888,823
	<u>10,777,968,793</u>	<u>1,548,384,168</u>	<u>—</u>	<u>12,326,352,961</u>

- (a) The Company is a stock limited company jointly established by Qingdao Port Group and Other Promoters. The assets and liabilities as well as cash at bank and on hand contributed by Qingdao Port Group amounted to RMB10,252,279,474 and RMB400,000,000 respectively, which were approved by Qingdao SASAC. Cash at bank and on hand contributed by Other Promoters amounted to RMB1,183,586,608. The contribution amounted to RMB11,835,866,082 in total, including share capital of RMB4,000,000,000 (4,000,000,000 shares, par value at RMB1) and capital surplus of RMB7,835,866,082.

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For the year ended 31 December 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Capital surplus (Continued)

- (b) The Company issued 705,800,000 foreign-listed H-shares overseas at its initial public offering on 6 June 2014. The amount of raised capital less capitalized listing expenses is RMB1,995,921,171, including share capital of RMB705,800,000 (705,800,000 shares, par value at RMB1) and capital surplus of RMB1,290,121,171. The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H-shares overseas. The amount raised in over-allotment is RMB216,167,727, including share capital of RMB72,404,000 (72,404,000 shares, par value at RMB1) and capital surplus of RMB143,763,727.

The Company completed placement of 243,000,000 new H-shares on 18 May 2017. The amount of raised capital less capitalized issuance expenses is RMB912,553,972, including share capital of RMB243,000,000 (243,000,000 shares, par value at RMB1) and capital surplus of RMB669,553,972.

The Company completed proposed subscription of 1,015,520,000 domestic shares on 22 May 2017. The amount of the consideration of domestic shares less capitalized listing expenses is RMB5,798,209,236, including share capital of RMB1,015,520,000 (1,015,520,000 shares, par value at RMB1) and capital surplus of RMB4,782,689,236.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares). The amount of raised capital less capitalized issuance expenses was RMB1,978,929,768, including share capital of RMB454,376,000 (454,376,000 shares, par value at RMB1), and capital surplus of RMB1,524,553,768.

(40) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2020		
	31 December 2019	Attributable to the parent company after tax	31 December 2020	Amount incurred before income tax for the current year	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss Amount changes arising from remeasurement of defined benefit plans	172,292,502	106,408,100	278,700,602	106,530,000	106,408,100	121,900
Other comprehensive income that will be subsequently reclassified to profit or loss Fair value changes in other debt investments	10,376,170	(1,778,497)	8,597,673	(2,540,710)	(1,778,497)	(762,213)
	<u>182,668,672</u>	<u>104,629,603</u>	<u>287,298,275</u>	<u>103,989,290</u>	<u>104,629,603</u>	<u>(640,313)</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Other comprehensive income (Continued)

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2019		
	31 December 2018	Attributable to the parent company after tax	31 December 2019	Amount incurred before income tax for the current year	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from remeasurement of defined benefit plans	121,017,700	51,274,802	172,292,502	50,660,000	51,274,802	(614,802)
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	12,676,488	(2,300,318)	10,376,170	(3,286,169)	(2,300,318)	(985,851)
	<u>133,694,188</u>	<u>48,974,484</u>	<u>182,668,672</u>	<u>47,373,831</u>	<u>48,974,484</u>	<u>(1,600,653)</u>

(41) Surplus reserve

	31 December 2019	Appropriation in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	<u>1,278,378,901</u>	<u>338,814,201</u>	<u>—</u>	<u>1,617,193,102</u>
	31 December 2018	Appropriation in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	<u>986,974,314</u>	<u>291,404,587</u>	<u>—</u>	<u>1,278,378,901</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The Company withdraws statutory surplus reserve at RMB338,814,201 at 10% of net profit in 2020 (2019: withdraw at 10% of net profit, totaling RMB291,404,587).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) General risk reserve

	31 December 2019	Appropriation in the current year	Decrease in the current year	31 December 2020
General risk reserve	<u>380,586,794</u>	<u>30,661,676</u>	<u>—</u>	<u>411,248,470</u>

	31 December 2018	Appropriation in the current year	Decrease in the current year	31 December 2019
General risk reserve	<u>298,283,806</u>	<u>82,302,988</u>	<u>—</u>	<u>380,586,794</u>

Pursuant to the notice in Cai Jin [2012] No.20 Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the Ministry of Finance, financial enterprises shall make appropriation to general risk reserve for risk assets. The general risk reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As at 31 December 2020, the general risk reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets.

(43) Undistributed profits

	Year ended 31 December 2020	Year ended 31 December 2019
Undistributed profits at beginning of year	9,694,379,282	8,742,614,209
Add: Attributable to equity holders of the Company	3,841,863,143	3,790,143,318
Less: Withdrawal Surplus reserve	(338,814,201)	(291,404,587)
Extracting general risk reserve	(30,661,676)	(82,302,988)
Profit distribution to shareholders (a)	<u>(1,300,167,330)</u>	<u>(2,464,670,670)</u>
Undistributed profits at the end of the year	<u>11,866,599,218</u>	<u>9,694,379,282</u>

- (a) Pursuant to the resolution of the Board of Directors on 26 March 2020, the Board of Directors proposed that the Company pay a cash dividend of 2019 to all shareholders at RMB2.003 (including tax) per ten shares. Based on the 6,491,100,000 shares issued, the proposed cash dividends are RMB1,300,167,330.

Pursuant to the resolution of the Board of Directors on 29 March 2021, the Board of Directors proposed that the Company pay a cash dividend of 2020 to all shareholders at RMB2.622 (including tax) per 10 shares. Based on the 6,491,100,000 shares issued, the proposed cash dividends are RMB1,701,966,420. The above proposal is pending approval by the shareholders meeting (Note11).

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Revenue and cost of sales

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from main operations	11,968,591,156	10,995,655,703
Revenue from other operations	1,250,822,734	1,168,425,270
	<u>13,219,413,890</u>	<u>12,164,080,973</u>
	Year ended 31 December 2020	Year ended 31 December 2019
Cost of sales from main operations	(7,809,454,835)	(7,529,557,901)
Cost of sales from other operations	(678,142,497)	(649,133,008)
	<u>(8,487,597,332)</u>	<u>(8,178,690,909)</u>

(a) Revenue and cost of sales from main operations

	Year ended 31 December 2020		Year ended 31 December 2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	202,090,125	(75,077,840)	217,999,652	(68,571,775)
Metal ore, coal and other cargo handling and ancillary services	3,284,940,844	(2,620,743,970)	2,711,414,131	(2,105,441,050)
Liquid bulk cargo handling and ancillary services	2,234,777,329	(519,505,889)	1,427,221,862	(386,720,190)
Logistics and port value-added services	4,890,042,181	(3,401,821,390)	4,916,328,209	(3,437,511,733)
Port ancillary services – construction, labor and construction of port machinery	1,356,740,677	(1,192,305,746)	1,722,691,849	(1,531,313,153)
	<u>11,968,591,156</u>	<u>(7,809,454,835)</u>	<u>10,995,655,703</u>	<u>(7,529,557,901)</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	Year ended 31 December 2020		Year ended 31 December 2019	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Lease revenue	201,969,691	(107,497,027)	205,094,283	(108,146,687)
Port ancillary service – sales of fuel, electricity and others	1,044,949,299	(570,296,946)	955,241,160	(539,973,990)
Financial services	3,903,744	(348,524)	8,089,827	(1,012,331)
	<u>1,250,822,734</u>	<u>(678,142,497)</u>	<u>1,168,425,270</u>	<u>(649,133,008)</u>

The Group's rental income is from leasing port facilities, storage facilities, buildings, machinery and equipment and motor vehicles. For the year ended 31 December 2020, there's no variable rental income recognized based on the certain percentage of the lessee's sales amount.

For the year ended 31 December 2020, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time, the remaining contract obligations are satisfied over time.

As at 31 December 2020, the amounts of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB808,891,831 (As at 31 December 2019: RMB1,019,640,133), of which is expected to be recognized as revenue in 2021.

(45) Taxes and surcharges

	Year ended 31 December 2020	Year ended 31 December 2019	Calculation and payment standard
Land use tax	47,715,266	52,191,603	3.2 -11.2 yuan/ Square meter/year
City maintenance and construction tax	16,527,011	15,726,639	7%
Educational surcharge	11,311,904	11,169,025	3%
Stamp duty	8,788,605	8,320,192	Proportional tax rate, Norm quota tax rate
Property tax	6,022,196	6,467,922	Levied on prices and values
Others	<u>14,226,166</u>	<u>14,625,917</u>	
	<u>104,591,148</u>	<u>108,501,298</u>	

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) General and administrative expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefits	443,282,303	332,165,174
Office expenses and entertainment expenses	34,810,323	32,727,669
Repair expenses	23,574,342	19,199,147
Depreciation of fixed assets	23,328,618	22,936,751
Intermediary service fee	21,465,418	22,689,444
Consumption of other raw materials	18,147,461	13,827,946
Amortization of intangible assets	15,814,614	12,321,858
Fuel and utility fees	6,983,684	14,026,878
Others	49,880,143	33,320,975
	<u>637,286,906</u>	<u>503,215,842</u>

(47) Financial expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Interest expenses on deposits	65,313,666	57,701,641
Bonds, borrowings and other interest expenses	113,948,281	134,433,320
Add: Interest expenses for lease liabilities	29,265,599	31,293,604
Less: Capitalized interest	<u>(691,579)</u>	<u>(921,485)</u>
Interest expenses	207,835,967	222,507,080
Less: Interest income	<u>(356,399,859)</u>	<u>(502,162,922)</u>
Effect of actuarial calculation of employee benefits	86,700,000	89,410,000
Exchange gains or losses	45,677,571	(22,672,098)
Others	<u>2,806,299</u>	<u>5,002,133</u>
	<u>(13,380,022)</u>	<u>(207,915,807)</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are categorized by nature as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefits	2,191,445,305	2,080,281,836
Subcontract cost	2,040,791,695	2,026,479,952
Cost for outsourcing transportation	1,871,013,018	1,500,651,264
Depreciation of fixed assets	762,254,060	703,353,798
Consumption of other raw materials	471,781,070	341,317,229
Consumption of raw materials in construction contract	460,053,199	753,430,767
Cost of sales for fuel and electricity	342,781,087	331,620,382
Procurement cost of fuel and utility fees	324,415,688	326,694,005
Rental expenses (i)	204,759,112	210,023,345
Repair expense	161,708,061	145,079,593
Depreciation of right-of use assets	77,858,810	68,922,249
Amortization of intangible assets	76,294,934	59,761,980
Consulting fee	12,347,644	19,603,202
Auditor's fee	9,117,774	8,150,792
– Annual audit services for listed companies	5,764,000	5,764,000
– Other audit services within the group	2,981,132	2,377,358
– Non-audit services	372,642	9,434
Depreciation of investment properties	5,368,849	4,597,690
Others	173,694,145	172,692,919
	<u>9,185,684,451</u>	<u>8,752,661,003</u>

- (i) As stated in Note 2(25), the Group's lease expense incurred by short-term lease and low-value lease is recorded in profit or loss. For the year ended on 31 December 2020, the amount is RMB204,759,112 (For the year ended on 31 December 2019: RMB210,023,345).

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(49) Other income

	Year ended 31 December 2020	Year ended 31 December 2019	Asset related/ Income related
Additional deduction of VAT input	47,765,566	20,392,761	Income related
Government grants			
– Development support funds related to daily operations	25,262,562	90,839,635	Income related
– Employment stabilization subsidies	5,859,256	2,916,606	Income related
– Special funds for outer route	3,914,444	3,914,444	Asset related
– Other government grants	6,106,017	4,016,980	Asset/Income related
	<u>88,907,845</u>	<u>122,080,426</u>	

For the year ended 31 December 2020 and 2019, other income was included in the non-recurring profit or loss of the year.

(50) Investment income

	Year ended 31 December 2020	Year ended 31 December 2019
Investment income from long-term equity investments under equity method	1,289,230,148	1,381,207,816
Interest income from holding of debt investments	6,204,537	15,640,345
Investment income from holding of financial assets held for trading	165,996,972	65,833,162
Interest income from holding of other debt investment	43,511,136	33,964,687
Investment income/(losses) from disposal of long-term equity investments	47,232,463	(227,809)
Interest expenses of discounted notes	(1,273,168)	(4,144,864)
	<u>1,550,902,088</u>	<u>1,492,273,337</u>

There is no significant restriction on the Group's recovery of investment income.

NOTES TO THE FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Credit impairment losses

	Year ended 31 December 2020	Year ended 31 December 2019
Provision/(reversal) for bad debts of notes receivable	(2,204,000)	1,263,660
Provision for bad debts of accounts Receivable	61,770,317	37,310,132
Provision/(reversal) for bad debts of other receivables	10,191,044	(5,901,858)
Provision/(reversal) for bad debts of long-term receivables	23,395,544	(5,769,464)
	<u>93,152,905</u>	<u>26,902,470</u>

(52) Income tax expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax calculated based on tax law and related regulations	1,087,057,612	969,412,610
Deferred income tax	17,779,455	24,790,827
	<u>1,104,837,067</u>	<u>994,203,437</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	Year ended 31 December 2020	Year ended 31 December 2019
Total profit	5,525,196,945	5,126,805,417
Income tax expenses calculated at applicable tax rates	1,381,299,236	1,281,701,354
The effect of preferential tax rates	(1,542,383)	(10,458,515)
Investment income not subject to tax	(322,307,537)	(345,301,954)
Additional deduction of employee benefits of the disabled	(1,220,422)	(1,345,137)
Costs, expenses and losses not deductible for tax purposes	37,817,909	51,499,054
Deductible temporary differences for which no deferred tax asset was recognized for the current year	252,988	4,749,140
Deductible losses not recognized as deferred tax assets in the current year	10,537,276	13,359,495
Income tax expenses	<u>1,104,837,067</u>	<u>994,203,437</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated net profit attributable to ordinary shareholders of the Company	3,841,863,143	3,790,143,318
Weighted average number of ordinary shares outstanding	6,491,100,000	6,453,235,333
Basic earnings per share	0.59	0.59
Including:		
– Basic earnings per share from continuing operations	0.59	0.59
– Basic earnings per share from discontinued operations	—	—

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2020 (for the year ended 31 December 2019: nil), diluted earnings per share equal to basic earnings per share.

(54) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	Year ended 31 December 2020	Year ended 31 December 2019
Logistics business fees collected on behalf	169,393,999	53,517,977
Lease payments received	162,663,082	173,554,902
Recover advance payment for purchases(i)	115,742,946	—
Government grants	107,367,481	136,215,389
Collection of port construction fees	42,217,925	—
Interest from cash at bank	33,929,916	103,297,431
Railage collected on behalf	28,510,182	14,191,693
Receipt of deposits and guarantees	12,342,392	26,291,966
Port construction fees collected on behalf	7,038,636	12,642,857
Others	15,978,110	19,199,070
	695,184,669	538,911,285

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Notes to the cash flow statement (Continued)

(a) Cash received relating to other operating activities (Continued)

- (i) Advance payment for agency purchase represents the amounts received or paid on behalf of the customers in the agent purchase business performed by the Company's subsidiaries, International Trade Logistics, Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. and Tongze Trading, which is presented on a net basis.

(b) Cash paid relating to other operating activities

	Year ended 31 December 2020	Year ended 31 December 2019
Payment of retirement salaries	100,310,000	—
Office expenses and entertainment expenses	42,445,207	44,393,308
Intermediary service fee	21,465,418	27,753,994
Fines and donations, etc.	5,985,893	9,713,178
Bank service charge	2,806,299	5,002,133
Advance payment for agency purchase	—	40,681,624
Payment of port construction fees	—	25,738,225
Others	19,060,915	6,914,462
	<u>192,073,732</u>	<u>160,196,924</u>

(c) Cash received relating to other investing activities

	Year ended 31 December 2020	Year ended 31 December 2019
Recovery of loans provided to related parties and third parties	1,821,333,872	1,932,234,044
Recovery of inter-bank borrowing funds from financial institutions	465,524,465	1,200,000,000
Recovery of statutory deposit reserve by Qingdao Finance	—	219,520,678
Cost reimbursement for sea reclamation	—	218,725,300
	<u>2,286,858,337</u>	<u>3,570,480,022</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Notes to the cash flow statement (Continued)

(d) Cash paid relating to other investing activities

	Year ended 31 December 2020	Year ended 31 December 2019
Provision of loans to related parties and third parties	4,184,620,847	1,745,342,203
Funding to other financial institutions	405,331,119	1,250,000,000
Statutory deposit reserve deposited by Qingdao Finance	178,477,313	—
	<u>4,768,429,279</u>	<u>2,995,342,203</u>

(e) Cash received relating to other financing activities

	Year ended 31 December 2020	Year ended 31 December 2019
Deposits received by Qingdao Finance	<u>1,645,438,911</u>	<u>835,735,174</u>

(f) Cash paid relating to other financing activities

	Year ended 31 December 2020	Year ended 31 December 2019
Repayment of lease liabilities	381,452,621	194,681,721
Repayment of subsidiary minority shareholders and third-party fund borrowings	<u>160,479,152</u>	<u>—</u>
	<u>541,931,773</u>	<u>194,681,721</u>

In 2020, the total lease-related cash outflow paid by the Group was RMB594,934,322. Except for the amount paid for repayment of lease liabilities included in the financing activities mentioned above, the remaining cash outflows are included in operating activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Year ended 31 December 2020	Year ended 31 December 2019
Net profit	4,420,359,878	4,132,601,980
Add/Less: Asset impairment losses	(12,432,618)	(2,500,876)
Credit impairment losses	93,152,905	26,902,470
Depreciation of right-of-use assets	77,858,810	68,922,249
Depreciation of fixed assets and investment properties	767,622,909	707,951,488
Amortization of intangible assets	76,294,934	59,761,980
Amortization of long-term prepaid expenses	11,324,370	8,451,397
Gains on disposal of fixed assets, intangible assets and other non-current assets	(17,725,923)	(3,453,170)
Losses from scrapped fixed assets	3,456,921	309,049
Income on changes in fair value	(2,195,578)	(8,996,486)
Financial expenses	18,474,568	(121,203,267)
Investment income	(1,552,175,256)	(1,492,273,337)
Increase/Decrease in deferred tax assets	(13,956,864)	13,538,042
Amortization of deferred income	(6,924,298)	(7,490,142)
Increase in deferred tax liabilities	3,739,603	11,252,785
Decrease in inventories	71,433,608	59,499,715
Increase in operating receivables	(25,633,032)	(589,430,784)
Decrease/Increase in operating payables	(307,678,826)	102,146,677
Net cash flows from operating activities	<u>3,604,996,111</u>	<u>2,965,989,770</u>

Significant operating activities, investing activities and operating activities that do not involve cash receipts and payments.

	Year ended 31 December 2020	Year ended 31 December 2019
Goods and services purchased by endorsement of notes receivable	1,168,361,760	1,674,744,058
Long-term assets acquired by endorsement of notes receivable	104,678,381	107,063,882
Increase of right-of-use assets in the current year	<u>43,209,792</u>	<u>171,039,313</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Supplementary information to the cash flow statement (Continued)

(a) Supplementary information to the cash flow statement (Continued)

Net movements in cash

	Year ended 31 December 2020	Year ended 31 December 2019
Cash at the end of the year	6,076,037,331	3,998,246,081
Less: Cash at the beginning of the year	<u>(3,998,246,081)</u>	<u>(4,014,278,650)</u>
Net increase/(decrease) in cash	<u>2,077,791,250</u>	<u>(16,032,569)</u>

Cash

	31 December 2020	31 December 2019
Cash at bank and on hand (Note 4(1))	8,548,976,734	6,846,399,847
Less: Term deposits with initial term of over 3 months	<u>(1,620,783,371)</u>	<u>(2,125,776,000)</u>
Other restricted cash balance	<u>(852,156,032)</u>	<u>(722,377,766)</u>
Cash at the end of the year	<u>6,076,037,331</u>	<u>3,998,246,081</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Supplementary information to the cash flow statement (Continued)

(b) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	Year ended 31 December 2020	Year ended 31 December 2019
Cash paid in the current year for business combination incurred in the current year	149,461,785	—
Less: Cash held by subsidiaries at the acquisition date	(654,498)	—
Net cash paid to acquire subsidiaries	148,807,287	—

For the year ended 31 December 2020, the subsidiary acquired was Red Star Logistics, and refer to Note 5(1) for the acquisition price and net assets of the subsidiary.

(ii) Disposal of subsidiaries

	Year ended 31 December 2020	Year ended 31 December 2019
Cash received from disposal of subsidiaries in the current year	60,528,700	—
Less: Cash held by subsidiaries at the date when control is lost	(16,482,233)	—
Add: Amounts deposited at Qingdao Finance by the subsidiaries at the date when control is lost	16,482,233	—
Less: Amounts deposited at Qingdao Finance by the acquirer at the date when control is lost	(60,528,700)	—
Net cash received from disposal of subsidiaries	—	—

For the year ended 31 December 2020, the subsidiary disposed of was Yongli Insurance, and refer to Note 5(2) for the disposal price and net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(56) Monetary items denominated in foreign currencies

	31 December 2020		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand –			
USD	117,754,633	6.5249	768,337,205
EUR	25,043	8.025	200,970
HKD	11,448	0.8416	9,635
			<u>768,547,810</u>
Accounts receivable –			
USD	92,156,659	6.5249	601,312,985
EUR	141,835	8.025	1,138,226
JPY	1,855,800	0.0632	117,353
			<u>602,568,564</u>
Accounts payable –			
USD	71,016,186	6.5249	463,373,515
JPY	208,500	0.0632	13,185
			<u>463,386,700</u>
Short-term borrowings –			
USD	14,500,000	6.5249	94,611,050
Long-term borrowings –			
EUR	10,328,717	8.0250	82,887,952

Monetary items denominated in foreign currencies above means all currencies except RMB.

NOTES TO THE FINANCIAL STATEMENTS

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5 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Business combinations not under common control

(a) Business combinations involving enterprises not under common control in the current year

Acquiree	Timing of acquisition	Acquisition cost	Interest acquired (%)	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue	Net profit	Cash flows from operating activities	Net cash flows
							of the acquiree from the acquisition date to the end of the year	of the acquiree from the acquisition date to the end of the year	of the acquiree from the acquisition date to the end of the year	of the acquiree from the acquisition date to the end of the year
Red Star Logistics	13 August 2020	149,461,785	90%	By cash	13 August 2020	Completion of business registration change	16,864,271	(1,012,359)	4,174,690	78,172,754

(b) Merger costs and recognition of goodwill are as follows:

	Red Star Logistics
Combined cost –	
Cash	149,461,785
Less: The fair value share of identifiable net assets obtained	(121,465,069)
Goodwill	<u>27,996,716</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

5 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(1) Business combinations not under common control (Continued)

(c) The assets and liabilities of the purchased party on the purchase date are listed as follows:

Red Star Logistics

	Purchase date Fair value	Purchase date Book value	Year ended 31 December 2019 Book value
Cash at bank and on hand	654,498	654,498	4,572,374
Accounts receivable	6,126,101	6,126,101	1,002,550
Inventories	419,207	419,207	12,763,175
Fixed assets	333,647,272	252,522,770	272,088,285
Construction in progress	3,668,382	3,599,083	3,400,969
Intangible assets	69,036,204	6,631,587	6,758,231
Long-term prepaid expenses	179,963	179,963	211,261
Other non-current assets	7,341,778	7,341,778	—
Less: Accounts payable	(8,831,047)	(8,831,047)	(10,127,705)
Advances from customers	(70,286)	(70,286)	(19,714)
Employee benefits payable	(448,298)	(448,298)	(66,083)
Taxes payable	(321,089)	(321,089)	(37,554)
Other payables	(178,520,972)	(178,520,972)	(157,864,055)
Current portion of non-current liabilities	(66,362,500)	(66,362,500)	(102,172,500)
Deferred tax liabilities	(31,950,207)	—	—
Net assets	134,569,006	22,920,795	30,509,234
Less: Minority interests	(13,103,937)	—	—
Net assets acquired	<u>121,465,069</u>	—	—

The fair value of the assets and liabilities of Red Star Logistics at the acquisition date are determined by the Group using valuation techniques. Fixed assets are valued at replacement cost using the critical assumption that port facilities will continue to be used based on existing use purposes.

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5 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(2) Disposal of subsidiaries

(a) Aggregated information of subsidiaries disposed of in the current year:

Name of subsidiary	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal and corresponding shares of net assets in the consolidated financial statements	Amount transferred from other comprehensive income related to initial equity investment to investment income or loss
					Business registration of changes		
Yongli Insurance (i)	60,528,700	100%	Equity transfer	28 June 2020		47,232,463	—

- (i) On 28 June 2020, the Company and the Company's subsidiary Qingdao Port Engineering transferred 100% equities of Yongli Insurance to Shandong Port Financial Holdings Co., Ltd. ("Shandong Port Financial Holdings"), and gains on the disposal were RMB47,232,463.

(b) The disposal profit and loss information is as follows:

(i) Yongli Insurance

	Amount
Disposal price	60,528,700
Less: Yongli Insurance's share of net assets at the level of consolidated financial statements	(13,296,237)
Investment income from disposal	47,232,463

(3) Changes in the scope of consolidation for other reasons

On 28 June 2020, the Company established Qingdao Port International Oil Port Co., Ltd. ("International Oil Port"), a wholly-owned subsidiary. The registered capital was RMB100,000,000, and the percentage of shareholding in International Oil Port held by the Company was 100%. As at 31 December 2020, the Company had contributed RMB20,000,000.

On 23 October 2020, the Company established a non-fully-owned subsidiary for guaranteeing production. The registered capital was RMB30,000,000, and the percentage of shareholding in the subsidiary held by the Company was 51%. As at 31 December 2020, the contributions of both shareholders have completed their capital contributions in proportion.

On 9 November 2020, the Company established Qingdao Port Power Supply Co., Ltd. ("Qingdao Port Power Supply"), a wholly-owned subsidiary. The registered capital was RMB1,500,000 million. As at 31 December 2020, the Company had contributed RMB74,195,060.

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6 EQUITY INTEREST IN OTHER ENTITIES

(1) Equity interests in subsidiaries

(a) Constitution of the enterprise group

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	12,500	100%	—	Set-up or investment
Qingdao GLS Shipping Co., Ltd. ("GLS Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	2,250	100%	—	Set-up or investment
Ocean Shipping Repair	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	285	100%	—	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	20,000	100%	—	Set-up or investment
Qingdao Port Engineering Design Institute	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering design service	100	—	100%	Set-up or investment
Ocean Shipping Tally	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	199	84%	—	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	500	51%	—	Set-up or investment
Port Service	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	700	100%	—	Set-up or investment
Datang Port	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	31,020	51%	—	Business combinations involving enterprises not under common control

NOTES TO THE FINANCIAL STATEMENTS

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6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Mercuria Logistics (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	USD4,930	62%	—	Business combinations involving enterprises not under common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	USD6,500	71%	—	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	65%	Set-up or investment
International Trade Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	10,000	—	60%	Set-up or investment
Eimskip Coldchain (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	2,000	70%	—	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	100,000	70%	—	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	10,000	—	51%	Set-up or investment
Lianjie Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	5,000	—	58%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	1,500	—	51%	Set-up or investment
Jieyuntong Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	2,000	—	51%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	55%	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	2,000	100%	—	Set-up or investment
Qingdao Port Properties	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	800	100%	—	Set-up or investment
Culture Media	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	300	100%	—	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	2,000	—	100%	Business combination involving enterprises under common control
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Hongkong, China	Hongkong, China	Investment management	4,043	100%	—	Business combination involving enterprises under common control
Tongbao Shipping	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	5,000	100%	—	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	1,000	100%	—	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	60,000	80%	—	Set-up or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage")	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	21,000	55%	—	Set-up or investment
Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline")	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	86,600	51%	—	Set-up or investment

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6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Qingdao Port Lianxin International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	2,000	—	58%	Set-up or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	25,000	—	100%	Set-up or investment
Qingdao Port Qianwan Port Area Bonded Logistics Center Co., Ltd. ("Bonded Logistics Centre")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	2,500	63%	37%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	38,000	—	70%	Set-up or investment
Qingdao Port Dongjiakou Liquid Chemical Co., Ltd. ("Liquid Chemical Terminal") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	71,000	51%	—	Business combinations involving enterprises not under common control
Qingdao Port Lianhua International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	2,000	—	60%	Set-up or investment
Yantai Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	8,000	—	100%	Business combinations involving enterprises not under common control
Lugang Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	5,000	—	100%	Set-up or investment
Jimo Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	15,000	—	60%	Set-up or investment

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6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Qingdao Qianwan International Automobile Supply Chain Service Co., Ltd. ("Automobile Supply Chain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	10,000	—	45%	Set-up or investment
Shengshi Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	58%	Set-up or investment
Shandong Qingdong Pipeline Co., Ltd. ("Qingdong Pipe")	Limited Liability Company	Qingdao, China	Qingdao, China	Oil pipeline transportation	50,000	51%	—	Set-up or investment
Waili Inspection	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	400	—	100%	Set-up or investment
Tongan Security	Limited Liability Company	Qingdao, China	Qingdao, China	Security services	100	100%	—	Set-up or investment
Tongda Oil & Gas	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	6,595	100%	—	Set-up or investment
Qingdao Tongan Environmental Protection Technology Co., Ltd. ("Tongan Environmental Protection")	Limited Liability Company	Qingdao, China	Qingdao, China	Environmental technology service	600	100%	—	Set-up or investment
Shandong Qingzi Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Zibo, China	Logistics services , Pipeline transportation	20,000	100%	—	Set-up or investment
Zhenhua Petroleum Storage	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	66,000	51%	—	Set-up or investment
Zhonglin QDP Supply Chain	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	5,000	—	65%	Set-up or investment

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6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Nangang Oil & Gas	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	5,000	—	55%	Set-up or investment
Qingdao Qilu Fuhai Warehousing Co., Ltd. ("Qilu Fuhai Warehousing")	Limited Liability Company	Qingdao, China	Qingdao, China	Stevedoring, handling and storage	2,500	60%	—	Set-up or investment
International oil port	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	10,000	100%	—	Set-up or investment
Production guarantee	Limited Liability Company	Qingdao, China	Qingdao, China	Textile and Apparel, Apparel Industry	3,000	51%	—	Set-up or investment
Qinggang Power Supply	Limited Liability Company	Qingdao, China	Qingdao, China	Electricity and heat production and supply industry	15,000	100%	—	Set-up or investment
Red Star Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel handling	21,566	90%	—	Business combination not under common control

- (i) As at 23 May 2014, the Company acquired 51% equity interests of Mercuria Logistics through increase in capital and shares, and Mercuria Logistics was treated as a subsidiary and included in the consolidation scope. Since the minority shareholders have not completed their investment, the Company enjoys the rights and interests pursuant to the actual proportion 62% of investment. In 2018, Mercuria Logistics revised the Articles of Association and the Company hold 62% equity interests of Mercuria Logistics based on new association. The decisions on Mercuria Logistics' relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company is 60%.

As at 30 October 2014, the Company acquired 65% equity interests of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 31 December 2020, the Company and minority shareholders have not completed capital contributions to Mercuria Oil Terminal, and the Company enjoys the rights and interests pursuant to the actual percentage of shareholding of 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Oil Terminal, so the voting rights held by the Company is 60%.

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

(i) (Continued)

The percentage of shareholding in Eimskip Coldchain held by the Company is 70%. The decisions on Eimskip Coldchain's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Eimskip Coldchain, so the voting rights held by the Company is 60%.

The percentage of shareholding in DMT held by the Company is 80%. The decisions on DMT's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 4 out of 6 board members in DMT, so the voting rights held by the Company is 67%.

The actual percentage of shareholding in Svitzer Towage held by the Company is 55%. The decisions on Svitzer Towage's relevant operating activities are made by the Board of Directors. The resolution of the Board of Directors should be subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Svitzer Towage, so the voting rights held by the Company is 60%.

In December 2019, Liquid Chemical Terminal attracted minority shareholders' investments. The Company's actual percentage of shareholding in Liquid Chemical Terminal changed from 100% to 51%. The decisions on relevant operating activities of Liquid Chemical Terminal are made by the Board of Directors. The resolution of the Board of Directors should be subject to the approval of more than half of the directors who attended the Board's meeting. The Company can designate 3 out of 5 board members in Liquid Chemical Terminal, so the voting rights held by the Company is 60%.

The company's subsidiary QDP Logistics holds a 45% share in Automobile Supply Chain. Decisions on Automobile Supply Chain -related operating activities are made by the shareholders' meeting. Except for increasing or reducing the registered capital of the company, the company merges, splits, dissolves, liquidates or Apart from changing the company form and amending the company's articles of association, other matters that need to be resolved by the shareholders' meeting will be deemed to be passed by the shareholders' meeting after being passed by QDP Logistics.

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(b) Subsidiary with significant minority interests

Name of subsidiary	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the year ended 31 December 2020	Dividends declared to minority interests for the year ended 31 December 2020	31 December 2020 Minority interests
Qingdao Finance	30%	75,507,854	—	723,495,033
Lianhua Pipeline(i)	49%	408,739,742	110,535,373	1,053,419,291
Liquid Chemical Terminal	49%	2,093,888	—	362,239,349

- (i) The main financial information of Lianhua Pipeline consists of Lianhua Pipeline and its subsidiaries Weifang Port Lianhua and Dongying Port Lianhua.

The main financial information of the above important non-wholly owned subsidiaries is as follows:

	31 December 2020		
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Current assets	12,982,107,304	1,091,639,836	281,478,682
Non-current assets	5,814,476,785	3,137,180,574	492,796,086
Total assets	18,796,584,089	4,228,820,410	774,274,768
Current liabilities	(16,339,450,411)	(708,387,113)	(34,340,790)
Non-current liabilities	(45,618,710)	(1,477,647,683)	(670,000)
Total liabilities	(16,385,069,121)	(2,186,034,796)	(35,010,790)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(b) Subsidiary with significant minority interests (Continued)

	31 December 2019		
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Current assets	12,857,944,556	745,467,592	462,373,679
Non-current assets	3,500,665,009	3,268,729,763	447,186,657
Total assets	16,358,609,565	4,014,197,355	909,560,336
Current liabilities	(14,192,468,743)	(670,392,893)	(174,569,598)
Non-current liabilities	(3,652,847)	(1,910,161,343)	—
Total liabilities	(14,196,121,590)	(2,580,554,236)	(174,569,598)
Year ended 31 December 2020			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Revenue	464,724,672	1,578,155,401	—
Net profit	251,692,845	832,466,409	4,273,240
Total comprehensive income	249,162,135	832,479,409	4,273,240
Cash flows from operating activities	1,350,822,723	1,069,864,984	(13,162,111)
Year ended 31 December 2019			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Revenue	352,053,225	910,220,852	—
Net profit/(loss)	246,723,571	366,200,933	(886,381)
Total comprehensive income	249,999,740	365,700,933	(886,381)
Cash flows from operating activities	25,479,119	713,116,904	126,353

The above financial information is acquired from the financial information of each subsidiary before the merger and offset of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates

(a) General information of material joint ventures

	Major business location	Place of registration	Principle activities	Whether strategic to the Group's activities	Shareholding	
					Direct	Indirect
QQCT	Qingdao, China	Qingdao, China	Container stevedoring and stacking	Yes	51%	—
Qingdao Shihua	Qingdao, China	Qingdao, China	Liquid bulk stevedoring and stacking	Yes	50%	—

The above equity investments are measured using equity method by the Group.

(b) Summarized financial information of material joint ventures:

	31 December 2020		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	1,305,347,068	568,120,902	881,524,424	1,270,759,616
Including: Cash	1,232,607,890	394,165,362	815,663,613	990,415,517
Non-current assets	2,421,662,999	12,197,856,359	2,503,178,544	12,123,541,853
Total assets	3,727,010,067	12,765,977,261	3,384,702,968	13,394,301,469
Current liabilities	(204,171,781)	(1,821,701,786)	(546,425,845)	(3,038,581,768)
Non-current liabilities	—	(3,362,439,984)	—	(2,558,410,201)
Total liabilities	(204,171,781)	(5,184,141,770)	(546,425,845)	(5,596,991,969)
Minority interests	—	211,468,089	—	482,741,043
Attributable to shareholders of the Company	3,522,838,286	7,370,367,402	2,838,277,123	7,314,568,457

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Summarized financial information of material joint ventures: (Continued)

Considering the impact of the fair value of identifiable assets and liabilities at acquisition(i):

	31 December 2020		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	1,305,347,068	568,120,902	881,524,424	1,270,759,616
Including: Cash	1,232,607,890	394,165,362	815,663,613	990,415,517
Non-current assets	2,421,662,999	12,731,035,240	2,503,178,544	12,757,936,223
Total assets	<u>3,727,010,067</u>	<u>13,299,156,142</u>	<u>3,384,702,968</u>	<u>14,028,695,839</u>
Current liabilities	(204,171,781)	(1,821,701,786)	(546,425,845)	(3,038,581,768)
Non-current liabilities	—	(3,495,734,704)	—	(2,717,008,794)
Total liabilities	<u>(204,171,781)</u>	<u>(5,317,436,490)</u>	<u>(546,425,845)</u>	<u>(5,755,590,562)</u>
Minority interests	—	217,711,283	—	488,984,237
Attributable to shareholders of the Company	3,522,838,286	7,764,008,369	2,838,277,123	7,784,121,040
	31 December 2020		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Shares of net assets in proportion (i)	1,761,419,143	3,837,615,569	1,419,138,562	3,824,340,430
Adjustments				
– Goodwill	—	1,672,785,426	—	1,672,785,426
– Unrealized profits arising from internal transactions	(64,115,294)	(88,919,957)	(68,631,724)	(78,426,628)
Carrying amount of investment in joint ventures	<u>1,697,303,849</u>	<u>5,421,481,038</u>	<u>1,350,506,838</u>	<u>5,418,699,228</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Summarized financial information of material joint ventures: (Continued)

	Year ended 31 December 2020		Year ended 31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	1,567,979,019	3,873,663,604	1,633,558,848	3,775,984,285
Financial expenses	8,771,848	(126,758,680)	8,955,876	(111,788,141)
Income tax expenses	(229,731,810)	(528,474,279)	(223,833,071)	(466,576,922)
Net profit	684,561,163	1,684,881,771	782,184,756	1,737,005,689
Net profit attributable to the Company	684,561,163	1,676,414,760	782,184,756	1,719,717,410
Other comprehensive income	—	—	—	—
Total comprehensive income	684,561,163	1,676,414,760	782,184,756	1,719,717,410

Considering the impact of the fair value of identifiable assets and liabilities at acquisition(i):

	Year ended 31 December 2020		Year ended 31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Net profit	684,561,163	1,608,970,155	782,184,756	1,660,257,334
Net profit attributable to the Company	684,561,163	1,600,503,144	782,184,756	1,642,969,055
Other comprehensive income	—	—	—	—
Total comprehensive income	684,561,163	1,600,503,144	782,184,756	1,642,969,055

Dividends received from joint ventures by the Group for the current period, as of the year ended on 31 December 2020	—	817,783,089	400,000,000	792,889,894
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- (i) The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted pursuant to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(c) The associates are all immaterial to the Group.

(d) Summarized financial information of insignificant joint ventures and associates

	Year ended 31 December 2020	Year ended 31 December 2019
Joint ventures:		
Aggregated carrying amount of investments	2,007,256,362	2,041,682,212
Aggregate of the following items in proportion		
Net profit (i)	99,192,947	143,360,954
Other comprehensive income (i)	—	—
Total comprehensive income	<u>99,192,947</u>	<u>143,360,954</u>
Associates:		
Aggregated carrying amount of investments	745,712,702	328,241,918
Aggregate of the following items in proportion		
Net profit (i)	24,323,058	19,862,772
Other comprehensive income (i)	—	—
Total comprehensive income	<u>24,323,058</u>	<u>19,862,772</u>

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and conformed to accounting policies of the Group.

(e) Unrecognized commitments in relation to investments in joint ventures and associate are set out in Note 10(2).

7 SEGMENT INFORMATION

The Group's management assesses the Group's performance and determines reportable segments by service category. Different service categories require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation to these segments and to assess their performance.

The Group identified 6 reportable segments as follows:

- Container handling and ancillary services: loading and discharging of containers, storage and port management.
- Metal ores, coal and other cargo handling and ancillary services: loading and discharging of metal ore, coal, grains, break bulk cargo and other cargo, storage and port management.
- Liquid bulk handling and ancillary services: loading and discharging of liquid bulk, storage, transport and port management.
- Logistics and port value-added services: CFS, provision of cargo logistics, agency, towing, tallying and other services.
- Port ancillary services: provision of facilities construction services, manufacturing of port related equipment, supplying electricity power, fuel and others.
- Financial services: provision of deposit taking activities, corporate loans, guarantee, agency insurance, Investment and financial management and others.

The Group's major operational activities are carried out in Mainland China. The Group's management does not separately manage the production and operation by region. Therefore, segment performance is not separately presented by region.

Inter-segment transfer prices are mutually agreed with reference to the market price. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(a) Segment information for the year ended 31 December 2020 and as at 31 December 2020 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	202,090,125	3,284,940,844	2,234,777,329	4,890,042,181	2,603,659,667	327,956,872	—	—	13,543,467,018
Inter-segment revenue	15,193,132	138,620,365	98,340	147,568,209	809,463,943	140,671,544	—	(1,251,615,533)	—
Cost of sales	(75,077,840)	(2,620,743,970)	(519,505,889)	(3,401,821,390)	(1,870,099,719)	(72,696,394)	—	—	(8,559,945,202)
Interest income	18,583	2,890,729	20,169,498	13,019,587	2,853,632	189,811	41,655,330	(48,450,439)	32,346,731
Interest expenses	(27,674,494)	(57,169,270)	(166,255,255)	(22,752,660)	(34,011,177)	—	(79,201,677)	251,576,436	(135,488,097)
Investment income from associates and joint ventures	859,495,267	23,040,571	342,559,303	68,879,523	711,543	10,899,584	—	(16,355,643)	1,289,230,148
Other investment income	—	19,500	11,902,300	—	(1,273,168)	186,112,497	184,785,877	(119,875,066)	261,671,940
Asset impairment losses	—	—	—	—	12,432,618	—	—	—	12,432,618
Credit impairment losses	—	1,143,235	(7,640,324)	(5,908,646)	(43,451,045)	(37,296,125)	—	—	(93,152,905)
Depreciation and amortization	(25,176,655)	(206,164,880)	(295,240,465)	(209,171,167)	(163,500,606)	(1,275,537)	(32,571,713)	—	(933,101,023)
Total profit	941,930,720	480,944,289	1,855,832,891	1,327,710,481	475,567,008	493,873,101	4,220,176	(54,881,721)	5,525,196,945
Income tax expenses	7,434,786	(6,375,864)	(330,546,771)	(247,591,027)	(45,886,496)	(106,217,677)	(375,654,018)	—	(1,104,837,067)
Net profit	<u>949,365,506</u>	<u>474,568,425</u>	<u>1,525,286,120</u>	<u>1,080,119,454</u>	<u>429,680,512</u>	<u>387,655,424</u>	<u>(371,433,842)</u>	<u>(54,881,721)</u>	<u>4,420,359,878</u>
Total assets	<u>8,085,868,966</u>	<u>8,049,545,871</u>	<u>14,068,484,953</u>	<u>5,330,771,054</u>	<u>7,482,831,397</u>	<u>19,007,763,372</u>	<u>12,303,353,199</u>	<u>(17,151,253,832)</u>	<u>57,177,364,980</u>
Total liabilities	<u>769,134,021</u>	<u>3,347,562,020</u>	<u>5,325,702,733</u>	<u>2,267,124,432</u>	<u>6,202,201,993</u>	<u>16,385,069,123</u>	<u>3,431,963,136</u>	<u>(17,292,124,611)</u>	<u>20,436,632,847</u>
Non-cash expenses other than depreciation and amortization	<u>2,040,000</u>	<u>46,540,000</u>	<u>1,780,000</u>	<u>9,730,000</u>	<u>27,360,000</u>	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>87,460,000</u>
Long-term equity investments in associates and joint ventures	<u>6,074,465,711</u>	<u>1,232,650,021</u>	<u>2,000,251,610</u>	<u>435,606,033</u>	<u>14,296,572</u>	<u>114,484,004</u>	<u>—</u>	<u>—</u>	<u>9,871,753,951</u>
Additions of non-current assets (i)	<u>2,574,472</u>	<u>369,354,321</u>	<u>2,326,651,415</u>	<u>89,306,892</u>	<u>333,776,135</u>	<u>2,747,393</u>	<u>3,014,895</u>	<u>(8,732,214)</u>	<u>3,118,693,309</u>

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(b) Segment information for the year ended 31 December 2019 and as at 31 December 2019 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	217,999,652	2,711,414,131	1,427,221,862	4,916,328,209	2,883,027,292	252,873,105	—	—	12,408,864,251
Inter-segment revenue	—	36,353,202	19,553	237,419,295	720,251,409	107,269,947	—	(1,101,313,406)	—
Cost of sales	(68,571,775)	(2,105,441,050)	(386,720,190)	(3,437,511,733)	(2,179,433,830)	(58,217,150)	—	—	(8,235,895,728)
Interest income	25,920	2,739,167	13,264,723	13,571,982	3,022,878	172,969,537	93,004,585	(41,219,148)	257,379,644
Interest expenses	(23,214,292)	(48,668,213)	(154,174,789)	(36,917,469)	(17,548,846)	—	(92,571,352)	207,792,700	(165,302,261)
Investment income from associates and joint ventures	882,739,397	45,859,536	398,950,666	78,305,018	905,283	9,262,412	—	(34,814,496)	1,381,207,816
Other investment income	—	58,500	11,214,100	(795,878)	(3,348,986)	88,377,434	130,006,222	(114,445,873)	111,065,519
Asset impairment losses	—	—	—	(4,686,830)	—	—	—	—	(4,686,830)
Credit impairment losses	—	2,837,660	(1,399,446)	(10,787,000)	(17,431,168)	7,065,190	—	—	(19,714,764)
Depreciation and amortization	(24,552,709)	(227,741,637)	(226,363,853)	(186,093,359)	(178,169,874)	(2,025,020)	(140,662)	—	(845,087,114)
Total profit	974,801,617	438,830,454	1,259,316,376	1,423,051,322	548,101,364	554,255,704	12,747,720	(84,299,140)	5,126,805,417
Income tax expenses	4,332,011	1,487,893	(174,496,726)	(271,773,932)	(77,512,605)	(126,363,427)	(349,876,651)	—	(994,203,437)
Net profit	<u>979,133,628</u>	<u>440,318,347</u>	<u>1,084,819,650</u>	<u>1,151,277,390</u>	<u>470,588,759</u>	<u>427,892,277</u>	<u>(337,128,931)</u>	<u>(84,299,140)</u>	<u>4,132,601,980</u>
Total assets	<u>7,675,680,776</u>	<u>7,983,603,348</u>	<u>11,190,509,875</u>	<u>5,759,065,024</u>	<u>7,321,283,025</u>	<u>16,581,150,955</u>	<u>11,580,779,714</u>	<u>(15,306,771,322)</u>	<u>52,785,301,395</u>
Total liabilities	<u>736,250,165</u>	<u>3,014,071,785</u>	<u>4,877,275,871</u>	<u>2,644,519,238</u>	<u>6,532,706,819</u>	<u>14,181,448,718</u>	<u>2,672,784,825</u>	<u>(15,471,118,068)</u>	<u>19,187,939,353</u>
Non-cash expenses other than depreciation and amortization	<u>2,120,000</u>	<u>39,670,000</u>	<u>1,880,000</u>	<u>12,230,000</u>	<u>26,900,000</u>	<u>30,000</u>	<u>—</u>	<u>—</u>	<u>82,830,000</u>
Long-term equity investments in associates and joint ventures	<u>5,632,510,358</u>	<u>1,242,853,883</u>	<u>1,652,685,876</u>	<u>506,160,627</u>	<u>1,335,032</u>	<u>103,584,420</u>	<u>—</u>	<u>—</u>	<u>9,139,130,196</u>
Additions of non-current assets (i)	<u>5,217,907</u>	<u>443,647,223</u>	<u>1,773,962,293</u>	<u>251,872,966</u>	<u>307,468,821</u>	<u>1,661,220</u>	<u>16,769,923</u>	<u>(11,723,998)</u>	<u>2,788,876,355</u>

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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7 SEGMENT INFORMATION (Continued)

- (c) Reconciliation between reportable segment revenue from external customers, reportable segment interest income, reportable segment cost of sales and reportable segment interest expenses and amounts in consolidated financial statements is listed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue –		
Reportable segment revenue from external customers	13,543,467,018	12,408,864,251
Reclassification of interest income from external customers of Qingdao Finance (i)	(324,053,128)	(244,783,278)
Consolidated revenue (Note4(44))	<u>13,219,413,890</u>	<u>12,164,080,973</u>
Interest income –		
Reportable segment interest income	32,346,731	257,379,644
Reclassification of interest income from external customers of Qingdao Finance (i)	324,053,128	244,783,278
Consolidated interest income (Note4(47))	<u>356,399,859</u>	<u>502,162,922</u>
Cost of sales –		
Reportable segment cost of sales	8,559,945,202	8,235,895,728
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	(72,347,870)	(57,204,819)
Consolidated cost of sales (Note4(44))	<u>8,487,597,332</u>	<u>8,178,690,909</u>
Interest expenses –		
Reportable segment interest expenses	135,488,097	165,302,261
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	72,347,870	57,204,819
Consolidated interest expenses (Note4(47))	<u>207,835,967</u>	<u>222,507,080</u>

- (i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses – interest income in the consolidated financial statements.
- (ii) Reportable segment cost of sales includes interest expenses of Qingdao Finance, which is presented as finance expenses – interest expenses in the consolidated financial statements.

The Group's main revenue from external customers and additions to non-current assets other than financial assets and deferred tax assets are mainly gained or located in China.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

	Category of entity	Place of registration	Legal representative	Principal activities
Qingdao Port Group	Limited Liability Company	Qingdao, China	Jia Funing	Port operation and management

As stated in Note 1, Qingdao SASAC transferred its 49% equity interests of Qingdao Port Group to Shandong Port Group, and matters concerning the transfer of the remaining 51% equity interests will be discussed 36 months after the A shares listing of Qingdao Port. As at 31 December 2020, Qingdao SASAC remains as the ultimate controller of the Company.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Qingdao Port Group	<u>1,860,000,000</u>	<u>—</u>	<u>—</u>	<u>1,860,000,000</u>

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2020		31 December 2019	
	Shareholding	Voting rights	Shareholding	Voting rights
Qingdao Port Group	<u>55.10%</u>	<u>55.10%</u>	<u>54.47%</u>	<u>54.47%</u>

(2) Subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Information of joint ventures and associates

Except for the information of significant joint ventures and associates disclosed in Note 6, joint ventures and associates with which the Group having related party transactions are as follows:

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Cargo Agency	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Lianrong Logistics	Joint venture
Ocean Bridge International	Joint venture
PetroChina Storage	Joint venture
Lianhai Logistics	Joint venture

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties

Name of company	Relationship with the Group
Qingdao Fuwai Cardiovascular Hospital Co., Ltd. ("Fuwai Hospital")	Controlled by the same parent company
Qingdao Port International Finance Leasing Co., Ltd. ("Qingdao Leasing")	Controlled by the same parent company
Qingdao International Cruises Co., Ltd. ("International Cruises")	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd. ("QDP Investment Group")	Controlled by the same parent company
Qingdao Port Investment Real Estate Co., Ltd. ("Qingdao Port Investment Real Estate")	Controlled by the same parent company
Qingdao Hongyu Grand Hotel ("Hongyu Hotel")	Controlled by the same parent company
Shandong Port Finance Holdings Co., Ltd. (Used name: Qingdao Port Financial Controlling Co., Ltd.) ("Qingdao Financial Controlling")	Controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd. ("Micro Lending Company")	Controlled by the same parent company
Yongli Insurance	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. ("International Cruise Port Development & Construction")	Controlled by the same parent company
Qinggang (Shenzhen) Commercial Factoring Co., Ltd. Qingdao Branch ("Qinggang Commercial Factoring")	Controlled by the same parent company
Qingdao Port Asset Management Co., Ltd. ("Assets Management Company")	Controlled by the same parent company
Shandong Port Fund Management Co., Ltd. (Used name: Qingdao Port Fund Management Co., Ltd.)	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd.	Controlled by the same parent company
Qingdao Qinggang International Travel Service Co., Ltd. ("Qingdao Port Travel Agency")	Controlled by the same parent company
Qingdao Harbor Hospital Investment and management Co., Ltd.	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., ("QDP Commercial Insurance")	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation	Controlled by the same parent company
Qingdao Harbor Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Qingdao Port Finance Guarantee Co., Ltd. ("Finance Guarantee")	Controlled by the same parent company
Shandong Port International Supply Chain Management Co., Ltd. ("Shandong Port Supply Chain")	Controlled by the same parent company

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
Shandong Port Qinggang Shihua Energy Development Co., Ltd. ("Qinggang Shihua")	Controlled by the same parent company
Qingdao Port Pilot Station Co., Ltd. ("QDP Pilot Station")	Controlled by the same parent company
Weihai Zhongda Shipping Co., Ltd. ("Weihai Zhongda Shipping")	Controlled by the same parent company
Shandong Weihai Port International Logistics Co., Ltd.	Controlled by the same parent company
Weihai Jinfeng Freight Forwarding Co., Ltd. ("Weihai Jinfeng Freight Forwarding")	Controlled by the same parent company
Shandong Weihai Port Co., Ltd. ("Weihai Port")	Controlled by the same parent company
Weihai Gangtong Information Technology Co., Ltd. ("Weihai Gangtong Technology")	Controlled by the same parent company
Qingdao Port Asset Management (Hong Kong) Co., Ltd.	Controlled by the same parent company
Shandong Weihai Port Development Co., Ltd.	Controlled by the same parent company
Weihai Gangsheng Shipping Co., Ltd. ("Weihai Gangsheng Shipping") (Used name: Weihai Gangsheng Shipping Co., Ltd.)	Controlled by the same parent company
Weihai Port Group Co., Ltd. ("Weihai Port Group")	Controlled by the same parent company
Weihai International Logistics Park Development Co., Ltd. ("Weihai International Logistics Park")	Controlled by the same parent company
Weihai Zhongli Ocean Shipping Tally Co., Ltd. ("Weihai Zhongli Ocean Shipping Tally")	Controlled by the same parent company
China Weihai Shipping Agency Co., Ltd.	Controlled by the same parent company
Weihai Shichang Logistics Co., Ltd. ("Weihai Shichang Logistics")	Controlled by the same parent company
Weihai Yufeng Energy Co., Ltd. ("Weihai Yufeng Energy")	Controlled by the same parent company
Shandong Weihai Port International Trade Co., Ltd. ("Weihai Port International Trade")	Controlled by the same parent company
Weihai Dingxin Construction Engineering Co., Ltd. ("Weihai Dingxin Construction")	Controlled by the same parent company
Weihai Gangfeng Shipping Agency Co., Ltd. ("Weihai Gangfeng Shipping Agency")	Controlled by the same parent company
Weihai Weigang Property Management Co., Ltd. ("Weigang Property") (Used name: Weihai Gangxin Real Estate Development Co., Ltd.)	Controlled by the same parent company
Weihai Jiaodong International Container Shipping Co., Ltd.	Controlled by the same parent company
Weihai Shichang Liquor Industry Co., Ltd. ("Weihai Shichang Liquor Industry")	Controlled by the same parent company

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
Beijing Zhonggang Jinyuan Financial Leasing Co., Ltd. ("Zhonggang Jinyuan")	Controlled by the same parent company
Rizhao Commodity Exchange Center Co., Ltd. (i)	Controlled by the same parent company
Rizhao Bulk Commodity Supply Chain Management Co., Ltd. ("Rizhao Bulk Commodity Supply Chain") (i)	Controlled by the same parent company
Rizhao Port Group Shanghai Financial Leasing Co., Ltd. ("Rizhao Port Financial Leasing") (i)	Controlled by the same parent company
Rizhao Port Group Shanghai Commercial Factoring Co., Ltd. ("Rizhao Port Commercial Factoring") (i)	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd. ("Dongjiakou Railway") (ii)	Controlled by the same parent company in the past 12 months
Qingdao Xi'an Xintong Logistics Co., Ltd. ("Xi'an Xintong")	Joint venture of West United, and significantly affected by the company
QQCTN	Subsidiary of QQCT
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN
QQCTU	Joint venture of QQCTN, and significantly affected by the company
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTU, and significantly affected by the company
Shandong Port Group Co., Ltd. ("Provincial Port Group")	Sharing the same key management personnel with the Company in the past 12 months
Shandong Port Group Weifang Port Co., Ltd.	Subsidiary of Shandong Port Group
Dongying Guangli Port Wharf Construction Co., Ltd. ("Guangli Port Wharf Construction") (iii)	Subsidiary of Shandong Port Group
Binzhou Port Group Co., Ltd. ("Binzhou Port") (iii)	Subsidiary of Shandong Port Group
Binzhou Port Logistics Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Rizhao Port Co., Ltd. ("Rizhao Port") (iii)	Subsidiary of Shandong Port Group
Rizhao Port High-Tech Electric Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Shandong Harbor Construction Group Co., Ltd. ("Shandong Harbor Construction") (iii)	Subsidiary of Shandong Port Group
Rizhao Port Machinery Engineering Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Rizhao Port Ship Machinery Industry Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Rizhao Port Group Co., Ltd. Bibo Hotel (iii)	Subsidiary of Shandong Port Group
Rizhao Port Group Finance Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Yantai Seaport International Shipping Agency Co., Ltd. (iii)	Subsidiary of Shandong Port Group

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
Shandong Luhai Heavy Industry Co., Ltd. ("Luhai Heavy Industry") (iii)	Subsidiary of Shandong Port Group
Yantai Port Co., Ltd. ("Yantai Port Co., Ltd.") (iii)	Subsidiary of Shandong Port Group
Yantai Port Group Penglai Port Co., Ltd. ("Penglai Port") (iii)	Subsidiary of Shandong Port Group
Yantai Port Group Co., Ltd. (iii)	Subsidiary of Shandong Port Group
Shandong CCCC Navigation Engineering Co., Ltd. (vii)	Subsidiary of Shandong Port Group
Shandong Port Luhai International Logistics Group Co., Ltd. ("Luhai International Logistics")	Subsidiary of Shandong Port Group
Shandong Port International Trade Group Co., Ltd. ("Shangang International Trade")	Subsidiary of Shandong Port Group
Qingdao Shangang Cultural Industry Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Vocational Education Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Cruise Cultural Tourism Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Industry City Integration Development Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Technology Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Overseas Development Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Shipping Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Equipment Group Co., Ltd.	Subsidiary of Shandong Port Group
Beijing Lugang Holding Development Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics Bohai Bay Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics Rizhao Co., Ltd.	Subsidiary of Shandong Port Group
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping Agency")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Container Transport Co., Ltd. ("Qingdao COSCO Shipping Container Transport")	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by COSCO shipping group
The Orient Overseas Container Line (China) Co., Ltd. ("OOCL")	Controlled by COSCO shipping group
Qingdao Zhongran Industrial Co., Ltd. ("Zhongran Industrial")	Controlled by COSCO shipping group
China Ship Fuel Qingdao Co., Ltd. ("China Shipbuilding Qingdao")	Controlled by COSCO shipping group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by COSCO shipping group
Qingdao Xin Sanli Cold Box Technology Co., Ltd. (Used name: Qingdao Xin Sanli Cold Box Technology Co., Ltd.)	Controlled by COSCO shipping group

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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
Qingdao COSCO Shipping Logistics Co., Ltd. ("COSCO Shipping Logistics")	Controlled by COSCO shipping group
COSCO Shipping Container Transport Co., Ltd. ("COSCO Shipping Container Transport")	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd. (Used name: COSCON Southeast Asia Limited) ("Xinxinhai Shipping")	Controlled by COSCO shipping group
Qingdao Harbor International Logistics Co., Ltd. ("Harbor Logistics")	Controlled by COSCO shipping group
COSCO Shipping (Hong Kong) Investment Development Co., Ltd. ("COSCO Shipping Hong Kong")	Controlled by COSCO shipping group
COSCO SHIPPING Ports Abu Dhabi Terminal Co., Ltd. ("Abu Dhabi Terminal")	Controlled by COSCO shipping group
COSCO SHIPPING Special Transportation Co., Ltd. ("COSCO SHIPPING Special Transportation")	Controlled by COSCO shipping group
Lianyungang Ocean Fluid Handling Equipment Co., Ltd. ("Lianyungang Ocean Fluid")	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd. ("COSCO Weizhi Container Logistics")	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Logistics (Henan) Co., Ltd. ("COSCO Shipping Logistics (Henan)")	Controlled by COSCO shipping group
Qingdao New Oriental Container Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group
Henan COSCO Shipping Container Lines Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Communication Technology Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping Daya Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group
Xi'an COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
Orient Overseas Logistics (China) Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Ocean Hongchi Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Supply Chain Co., Ltd.	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
Qingdao Sinotrans Container Warehouse Co., Ltd.	Controlled by COSCO shipping group
Shanghai COSCO Shipping Special Transportation Co., Ltd.	Controlled by COSCO shipping group
Dalian COSCO Shipping Heavy Industry Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Container Shipping Agency Co., Ltd.	Controlled by COSCO shipping group

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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
China Shipping Container Line Qingdao Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Air Freight Forwarding Co., Ltd.	Controlled by COSCO shipping group
South China COSCO Shipping Container Lines Co., Ltd.	Controlled by COSCO shipping group
Henan COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
China Rizhao Ocean Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
Xi'an COSCO Shipping Container Lines Co., Ltd.	Controlled by COSCO shipping group
(i) For the year ended 31 December 2020, the controlling shareholder of the aforementioned company will be changed from Rizhao Port Group to Shangang Financial Holdings, and the aforementioned company and its subsidiaries became subsidiaries under the control of Qingdao Port Group. From the date of the change to 31 December 2020, transactions between the Group and the above companies were related party transactions.	
(ii) For the year ended 31 December 2020, QDP Investment Group (a subsidiary of Qingdao Port Group), the original controlling shareholder of Dongjiakou Railway, lost control over Dongjiakou Railway. Therefore, Qingdao Port Group lost its control over Dongjiakou Railway.	
(iii) In 2020, the controlling shareholder of the aforementioned company was changed to Shandong Port Group, and the aforementioned company and its subsidiaries became subsidiaries controlled by Shandong Port Group. From the date of the change to 31 December 2020, the transactions between the Group and the above companies were related party transactions.	
(iv) China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING Group") indirectly holds 21.27% of the Company's shares via Shanghai China Shipping Terminal, Qingdao COSCO, China Shipping Terminal Development and COSCO Shipping Port Development Co., Ltd., and COSCO Shipping Group has a significant influence on the company.	

(5) Related party transactions

Pricing policy

The Group's purchases, sales, provision or acceptance of services with related parties are conducted in accordance with the pricing and settlement terms agreed with the other party in the ordinary course of business. The rents collected and paid to related parties shall be determined after negotiation between the two parties. The interest rate of loans provided by Qingdao Finance, the Company's subsidiary to related parties and deposits from related parties is negotiated by the two parties on the basis of reference to the benchmark interest rate of the People's Bank of China for the same period or the loan market quoted rate announced by the National Interbank Funding Center.

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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services

Purchase of goods or services:

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
Qingdao Port Group and its subsidiaries*		73,122,953	64,290,869
QDP Investment Group	Purchasing engineering materials and receiving engineering services	27,028,866	43,485,836
Dongjiakou Railway	Receiving of Loading & unloading and logistics services	20,039,300	359,012
Hongyu Hotel	Receiving of catering services	5,203,094	5,999,876
Fuwai Hospital	Receiving medical services	15,922,699	11,569,240
Other subsidiaries of Qingdao Port Group	Receiving of Loading & unloading and logistics services	4,928,994	2,876,905
COSCO SHIPPING Group and its subsidiaries**		242,619,662	230,182,515
China Shipbuilding Qingdao	Purchasing fuel	187,461,827	166,978,490
Qingdao COSCO Shipping Container Transport	Receiving of Loading & unloading and logistics services	32,987,087	17,553,644
Qingdao Ocean Shipping Agency	Receiving of Loading & unloading and logistics services	10,041,042	7,437,771
Lianyungang Ocean Fluid	Receiving of Loading & unloading and logistics services	2,300,885	281,340
Shanghai Pan-Asia Shipping	Receiving of Loading & unloading and logistics services	2,066,279	4,082,005
OOCL	Receiving of Loading & unloading and logistics services	1,859,516	4,602,319
Zhongran Industrial	Receiving of logistics services	1,794,399	731,746
Lianhai Logistics	Receiving of Loading & unloading and logistics services	601,509	5,238,738
Shenzhouxing Cargo Agency	Receiving of logistics services	338,350	1,509,168
Qingdao COSCO Shipping Container Transport	Receiving of Loading & unloading and logistics services	—	16,360,122
Other COSCO Shipping Group Companies	Receiving of Loading & unloading and logistics services	3,168,768	5,407,172

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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Purchase of goods or services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
West United	Receiving of Loading & unloading and logistics services	131,699,161	166,670,206
Huaneng Qingdao	Receiving of Loading & unloading and logistics services	45,423,335	31,672,954
Luhai International Logistics	Receiving of Loading & unloading and logistics services	32,672,685	—
QDOT	Receiving of Loading & unloading and logistics services	20,969,113	100,810,546
QQCTU	Receiving of Loading & unloading and logistics services	18,315,027	23,450,659
Dongjiakou IMC Logistics	Receiving of Loading & unloading and logistics services	12,354,178	309,765
Qingdao Shihua	Receiving of Loading & unloading and logistics services	5,705,396	10,195,367
QQCT	Receiving of Loading & unloading and logistics services	5,059,933	7,273,665
Shandong Harbor Construction	Receiving of Loading & unloading and logistics services	4,007,161	—
Lianrong Logistics	Receiving of logistics services	1,422,472	1,031,855
Guangli Port Wharf Construction	Receiving of Loading & unloading and logistics services	1,400,358	—
Binzhou Port QDP International Terminal	Receiving of Loading & unloading and logistics services	—	2,057,373
Other related parties	Receiving of Loading & unloading, logistics, training, traveling and factoring services	6,318,868	7,360,136
		601,090,302	645,305,910

* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to Qingdao Port Group.

** These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to COSCO Shipping Group.

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For the year ended 31 December 2020
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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services:

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
Qingdao Port Group and its subsidiaries*		92,860,460	71,241,129
Qingdao Port Group	Rendering of transporting, loading& unloading, repairing and other services	34,434,186	28,875,066
QDP Investment Group	Rendering of transporting, loading& unloading, repairing and other services	24,332,402	24,833,009
QDP Pilot Station	Rendering of transporting, loading& unloading, repairing and other services	19,772,797	122,798
Weihai Gangsheng Shipping Co., Ltd.	Rendering of transporting, loading& unloading, repairing and other services	3,011,013	—
Weihai Jinfeng Freight Forwarding	Rendering of transporting, loading& unloading, repairing and other services	2,422,985	1,417,518
QDP Investment Real Estate	Rendering of transporting, loading& unloading, repairing and other services	1,643,286	1,362,850
QHVTC	Rendering of transporting, loading& unloading, repairing and other services	1,352,794	9,149,458
International Cruises	Rendering of transporting, loading& unloading, repairing and other services	941,203	1,075,880
Other subsidiaries of Qingdao Port Group	Rendering of transporting, loading& unloading, repairing and other services	4,949,794	4,404,550

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
COSCO SHIPPING Group and its subsidiaries**		376,630,874	348,317,858
Qingdao Ocean Shipping Agency	Rendering of transporting, loading& unloading, repairing and other services	119,495,637	117,021,242
Ocean & Great Asia	Rendering of transporting, loading& unloading, repairing and other services	46,432,622	45,512,622
Shenzhouxing Cargo Agency	Rendering of transporting, loading& unloading, repairing and other services	44,158,046	50,072,127
Qingdao COSCO Shipping Container Transport	Rendering of transporting, loading& unloading, repairing and other services	30,063,517	36,052,618
Qingdao COSCO Shipping Container Transport	Rendering of transporting, loading& unloading, repairing and other services	19,630,838	23,657,375
Lianhai Logistics	Rendering of transporting, loading& unloading, repairing and other services	18,861,345	19,699,586
China Shipping Agency	Rendering of transporting, loading& unloading, repairing and other services	17,797,249	—
COSCO SHIPPING Special Transportation	Rendering of transporting, loading& unloading, repairing and other services	12,248,569	—
Shanghai Pan-Asia Shipping	Rendering of transporting, loading& unloading, repairing and other services	11,744,639	19,946,589
United Shipping Agency	Rendering of transporting, loading& unloading, repairing and other services	11,624,052	—
Orient Container	Rendering of transporting, loading& unloading, repairing and other services	10,895,654	12,996,416

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
Xinxinhai Shipping	Rendering of transporting, loading& unloading, repairing and other services	8,536,548	5,634,268
COSCO Shipping Logistics	Rendering of transporting, loading& unloading, repairing and other services	7,261,192	7,107,398
Ocean Bridge International	Rendering of transporting, loading& unloading, repairing and other services	2,770,475	5,172,045
COSCO Weizhi Container Logistics	Rendering of transporting, loading& unloading, repairing and other services	5,652,411	2,418,954
Abu Dhabi Terminal	Rendering of transporting, loading& unloading, repairing and other services	2,831,695	—
COSCO Shipping Hong Kong	Rendering of transporting, loading& unloading, repairing and other services	1,965,708	—
OOCL	Rendering of transporting, loading& unloading, repairing and other services	1,572,881	—
Other COSCO Shipping Group Companies	Rendering of transporting, loading& unloading, repairing and other services	3,087,796	3,026,618
QQCT	Rendering of transporting, loading& unloading, repairing and other services	214,251,984	177,192,905
Qingdao Shihua	Rendering of transporting, loading& unloading, repairing and other services	140,071,546	124,912,057
QQCTU	Rendering of transporting, loading& unloading, repairing and other services	127,751,408	83,149,599
Luhai International Logistics	Rendering of transporting, loading& unloading, repairing and other services	121,431,409	—

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
QDOT	Rendering of transporting, loading& unloading, repairing and other services	90,907,198	127,165,649
QQCTN	Rendering of transporting, loading& unloading, repairing and other services	35,856,883	27,555,696
Evergreen Container	Rendering of transporting, loading& unloading, repairing and other services	30,454,451	33,643,825
West United	Rendering of transporting, loading& unloading, repairing and other services	21,079,692	14,088,729
QQCTUA	Rendering of transporting, loading& unloading, repairing and other services	18,001,708	15,995,087
Ganghai Logistics	Rendering of transporting, loading& unloading, repairing and other services	13,697,089	14,637,291
Huaneng Qingdao	Rendering of transporting, loading& unloading, repairing and other services	9,688,107	651,054
Provincial Port Group	Rendering of transporting, loading& unloading, repairing and other services	9,416,158	1,355,931
Lianrong Logistics	Rendering of transporting, loading& unloading, repairing and other services	8,693,189	9,791,996
Shandong Harbor Construction	Rendering of transporting, loading& unloading, repairing and other services	7,707,908	—
Binzhou Port QDP International Terminal	Rendering of transporting, loading& unloading, repairing and other services	5,945,554	4,749,927
Haiwan Liquid Chemical	Rendering of transporting, loading& unloading, repairing and other services	2,766,821	2,372,165

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
Dongjiakou IMC Logistics	Rendering of transporting, loading& unloading, repairing and other services	1,529,986	105,341,637
Other related parties	Rendering of transporting, loading& unloading, repairing and other services	2,667,188	4,435,358
		<u>1,331,409,613</u>	<u>1,166,597,893</u>
Qingdao Port Group and its subsidiaries*		86,851,600	202,103,269
Qingdao Port Group	Rendering of construction services	66,936,918	143,089,172
QDP Investment Real Estate	Rendering of construction services	12,024,455	—
QDP Investment Group	Rendering of construction services	7,174,630	52,904,835
International Cruises	Rendering of construction services	348,624	965,494
QHVTCT	Rendering of construction services	—	4,756,359
Other subsidiaries of Qingdao Port Group	Rendering of construction services	366,973	387,409
COSCO SHIPPING Group and its subsidiaries**		3,797,019	3,753,978
Orient Container	Rendering of construction services	2,450,026	2,480,156
Lianhai Logistics	Rendering of construction services	706,847	1,030,863
Shenhouxing Cargo Agency	Rendering of construction services	260,146	242,959
Other COSCO Shipping Group Companies	Rendering of construction services	380,000	—
QDOT	Rendering of construction services	192,939,973	118,877,830
QQCTN	Rendering of construction services	150,879,641	444,893,198
West United	Rendering of construction services	47,096,497	30,326,838
Shandong Harbor Construction	Rendering of construction services	38,585,229	—
Haiwan Liquid Chemical	Rendering of construction services	275,055	1,123,060
Qingdao Shihua	Rendering of construction services	16,840,933	21,077,875
QQCTU	Rendering of construction services	16,773,538	15,230,248

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
QQCT	Rendering of construction services	9,117,096	127,060
Rizhao Port	Rendering of construction services	4,000,000	—
Evergreen Container	Rendering of construction services	1,111,899	3,167,872
Other related parties	Rendering of construction services	1,173,650	1,905,865
		<u>569,442,130</u>	<u>842,587,093</u>
Qingdao Port Group and its subsidiaries*		12,648,473	8,983,679
Qingdao Port Group	Sales of water, electricity, steam and oil	5,243,523	1,326,876
QDP Investment Group	Sales of water, electricity, steam and oil	3,117,958	2,763,275
International Cruises	Sales of water, electricity, steam and oil	1,308,190	2,979,764
Other subsidiaries of Qingdao Port Group	Sales of water, electricity, steam and oil	2,978,802	1,913,764
COSCO SHIPPING Group and its subsidiaries**		17,668,995	9,168,663
Zhongran Industrial	Sales of water, electricity, steam and oil	9,245,990	—
Shenzhouxing Cargo Agency	Sales of water, electricity, steam and oil	3,949,064	4,244,705
Lianhai Logistics	Sales of water, electricity, steam and oil	2,181,559	2,512,440
Orient Container	Sales of water, electricity, steam and oil	1,962,910	2,172,738
Other COSCO Shipping Group Companies	Sales of water, electricity, steam and oil	329,472	238,780
QDOT	Sales of water, electricity, steam and oil	146,279,527	137,877,415
QQCT	Sales of water, electricity, steam and oil	114,124,750	108,989,464
QQCTN	Sales of water, electricity, steam and oil	41,850,707	37,687,645

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
West United	Sales of water, electricity, steam and oil	20,954,142	16,359,856
QQCTUA	Sales of water, electricity, steam and oil	13,524,252	13,492,118
Qingdao Shihua	Sales of water, electricity, steam and oil	9,807,245	8,858,261
QQCTU	Sales of water, electricity, steam and oil	7,342,923	8,664,711
Evergreen Container	Sales of water, electricity, steam and oil	4,777,465	5,173,051
Shangang International Trade	Sales of water, electricity, steam and oil	2,089,353	—
Huaneng Qingdao	Sales of water, electricity, steam and oil	1,472,296	1,559,571
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil	1,094,775	1,553,746
Other related parties	Sales of water, electricity, steam and oil	1,593,490	1,715,372
		<u>395,228,393</u>	<u>360,083,552</u>
Qingdao Port Group and its subsidiaries*		73,770,178	101,817,916
Qingwei Container	Sales of port machinery and other equipment	69,820,708	—
QDP Investment Group	Sales of port machinery and other equipment	3,776,885	31,345,093
Qingdao Leasing	Sales of port machinery and other equipment	—	31,941,474
Dongjiakou Railway	Sales of port machinery and other equipment	—	31,926,249
Other subsidiaries of Qingdao Port Group	Sales of port machinery and other equipment	172,585	6,605,100

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2020	Year ended 31 December 2019
QQCT	Sales of port machinery and other equipment	195,550,169	23,507,334
QQCTN	Sales of port machinery and other equipment	70,450,762	295,508,723
QDOT	Sales of port machinery and other equipment	41,627,168	188,800,100
Yantai Port Co., Ltd.	Sales of port machinery and other equipment	24,720,000	—
Penglai Port	Sales of port machinery and other equipment	10,920,354	—
Binzhou Port	Sales of port machinery and other equipment	8,185,293	—
Luhai Heavy Industry	Sales of port machinery and other equipment	4,620,000	—
Other related parties	Sales of port machinery and other equipment	10,070,000	4,538,063
		<u>439,913,924</u>	<u>614,172,136</u>
		<u>2,735,994,060</u>	<u>2,983,440,674</u>

* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to Qingdao Port Group.

** These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to COSCO Shipping Group.

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Leases

Lease income confirmed by the Group as a lessor:

Related Parties	Type of leased assets	Lease income confirmed for the year ended 2020	Lease income confirmed for the year ended 2019
Qingdao Port Group and its subsidiaries*		2,014,087	1,958,688
QDP Pilot Station	Buildings, port facilities	1,463,557	1,446,018
Other subsidiaries of Qingdao Port Group	Storage facilities, vehicles	550,530	512,670
COSCO SHIPPING Group and its subsidiaries**		18,258,119	17,673,195
Orient Container	Storage facilities	7,969,450	7,611,048
Lianhai Logistics	Storage facilities and machinery & equipment	6,544,186	6,311,809
Shenzhouxing Cargo Agency	Storage facilities and machinery	3,592,102	3,681,291
Other COSCO Shipping Group Companies	Storage facilities and machinery & equipment	152,381	69,047
QQCT	Buildings, storage facilities, port facilities and vehicles	225,002,280	225,958,852
Qingdao Shihua	Buildings, storage facilities and machinery & equipment	151,476,957	151,441,482
Shangang International Trade	Storage facilities	16,981,132	—
QDOT	Storage facilities, vehicles	11,827,644	11,795,786
Evergreen Container	Buildings, port facilities	10,023,083	9,984,431
QQCTU	Buildings, Storage facilities and vehicles	9,749,122	9,783,217
QQCTN	Port facilities and vehicles	6,226,806	6,365,995
Lianrong Logistics	Storage facilities	5,164,108	5,320,310
QQCTUA	Port facilities	2,349,714	1,566,476
Ganghai Logistics	Storage facilities and machinery	196,885	9,684,478
Binzhou Port QDP International Terminal	Machinery	—	1,821,903
Xi'an Xintong	Storage facilities	—	9,139,856
Other related parties	Buildings, storage facilities and machinery & equipment	702,209	802,353
		<u>459,972,146</u>	<u>463,297,022</u>

* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to Qingdao Port Group.

** These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, and these are certain assets the Group leases to COSCO Shipping Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Leases (Continued)

Right-of-use assets leased by the Group as a lessee:

Lessor	Lease asset type	Year ended 31 December 2020	Year ended 31 December 2019
Qingdao Leasing	Port facilities, machinery and equipment, buildings, vessels, loading equipment, warehouse facilities	<u>—</u>	<u>8,530,293</u>

Interest expenses from lease liabilities incurred by the Group as a lessee:

	Year ended 31 December 2020	Year ended 31 December 2019
Qingdao Leasing	<u>25,346,534</u>	<u>30,776,489</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Leases (Continued)

Other assets leased by the Group as a lessee:

Related Parties	Type of leased assets	Lease fee confirmed for the year ended 2020	Lease fee confirmed for the year ended 2019
Qingdao Port Group and its subsidiaries*		98,530,731	94,325,076
Qingdao Port Group	Storage facilities	74,519,665	74,248,448
QDP Investment Group	Buildings, storage facilities and machinery & equipment	21,645,078	18,847,617
Other subsidiaries of Qingdao Port Group	Buildings	2,365,988	1,229,011
COSCO SHIPPING Group and its subsidiaries**	Buildings	121,642	127,305
Qingdao Shihua	Storage facilities	18,039,004	—
QQCTU	Storage facilities	11,354,961	20,005,465
West United	Buildings, storage facilities	10,148,221	8,180,998
QQCTN	Machinery & equipment	8,073,395	8,389,295
Dongjiakou SinoTrans Logistics	Storage facilities	3,238,095	539,683
QQCT	Machinery & equipment	2,128,673	1,956,863
Other related parties	Buildings, storage facilities and machinery & equipment	849,557	849,558
		<u>152,484,279</u>	<u>134,374,243</u>

* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, these are land, buildings and equipment leased by the Group from Qingdao Port Group.

** These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, and these are certain assets the Group leases to COSCO Shipping Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans

Lend out –

	Amount	Starting date	Due Date
QDOT	8,000,000	2020-01-20	2021-01-19
QDOT	500,000,000	2020-02-27	2028-02-26
QDOT	60,000,000	2020-06-12	2025-06-11
QDOT	32,000,000	2020-09-18	2021-09-17
QDOT	20,000,000	2020-11-16	2021-11-15
QDOT	30,000,000	2020-12-16	2021-12-15
QDOT	295,000,000	2020-07-15	2025-07-14
QQCTN	2,664,600	2020-03-06	2021-03-05
QQCTN	42,550,500	2020-03-06	2021-03-05
QQCTN	8,550,220	2020-03-10	2021-03-09
QQCTN	17,989,600	2020-03-10	2021-03-09
QQCTN	11,182,650	2020-01-21	2025-01-20
QQCTN	88,000,000	2020-01-21	2023-01-20
QQCTN	32,043,100	2020-06-24	2025-06-23
QQCTN	12,312,900	2020-10-09	2025-10-08
QQCTN	39,451,250	2020-10-19	2025-10-18
QQCTN	33,583,677	2020-12-25	2025-12-24
QQCT	222,000,000	2020-03-10	2023-03-09
QQCT	200,000,000	2020-06-08	2023-06-07
QQCTU	330,000,000	2020-03-10	2022-03-27
QQCTUA	12,000,000	2020-02-25	2023-02-24
QQCTUA	10,000,000	2020-04-02	2023-04-01
QQCTUA	10,000,000	2020-05-29	2023-05-28
QQCTUA	10,000,000	2020-06-10	2023-06-09
QQCTUA	10,000,000	2020-07-21	2023-07-20
QQCTUA	10,000,000	2020-08-26	2023-08-25
QQCTUA	10,000,000	2020-09-21	2023-09-22
QQCTUA	10,000,000	2020-10-28	2023-10-27
QQCTUA	8,000,000	2020-11-25	2023-11-24
Weihai Port	100,000,000	2020-03-23	2023-03-22
Weihai Port	130,000,000	2020-06-02	2023-06-01
QDP Investment Group	899,940,000	2020-05-29	2021-05-28
Weihai Port Group	300,000,000	2020-06-01	2021-05-31

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For the year ended 31 December 2020
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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans (Continued)

Lend out (Continued) –

	Amount	Starting date	Due Date
PetroChina Storage	16,508,502	2020-06-29	2025-06-28
PetroChina Storage	7,664,163	2020-07-29	2025-07-28
PetroChina Storage	15,245,453	2020-08-31	2025-08-30
PetroChina Storage	7,733,554	2020-09-30	2025-09-29
PetroChina Storage	5,581,841	2020-12-24	2025-12-23
Qingyin Financial Leasing	100,000,000	2020-05-20	2020-08-20
Qingyin Financial Leasing	50,000,000	2020-05-29	2020-08-28
Qingyin Financial Leasing	150,000,000	2020-09-03	2020-12-03
Fuwai Hospital	10,000,000	2020-09-16	2021-09-15
Fuwai Hospital	25,000,000	2020-10-16	2021-10-15
West United	20,000,000	2020-11-26	2021-11-25
Rizhao Bulk Commodity Supply Chain	15,000,000	2020-11-04	2021-11-03
Qingwei Container	50,000,000	2020-12-10	2023-12-09
	<u>3,978,002,010</u>		

Maturity dates of the above loans refer to final maturity dates agreed in the contracts.

Obtaining factoring loan –

	Amount	Starting date	Due Date
QDP Commercial Insurance	<u>13,867,000</u>	2020-02-28	2020-03-10

Discounted notes –

	Year ended 31 December 2020	Year ended 31 December 2019
QDOT	<u>59,404,854</u>	<u>3,956,204</u>

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans (Continued)

Interest income from borrowings and finance leases

	Year ended 31 December 2020	Year ended 31 December 2019
QQCTN	42,710,667	31,182,783
QDOT	36,127,998	4,392,178
QQCTU	25,129,529	11,893,821
QDP Investment Group	22,261,488	—
Weihai Port	14,674,338	2,389,813
QQCT	15,266,652	10,086,281
Weihai Port Group	7,318,396	—
Qingdao Leasing	4,337,867	53,015,911
Fuwai Hospital	3,814,102	4,221,687
QQCTUA	3,725,657	615,820
Qingyin Financial Leasing	2,573,472	—
Other related parties	1,870,967	937,483
	<u>179,811,133</u>	<u>118,735,777</u>

Interest expenses for deposits from customers and funds borrowed –

	Year ended 31 December 2020	Year ended 31 December 2019
QQCT	13,507,598	10,152,733
Qingdao Port Group	12,603,973	12,006,661
Qingdao Financial Controlling	10,427,277	5,569,097
Qingdao Shihua	8,593,214	8,737,149
QDP Investment Group	4,336,852	1,618,234
QQCTI	2,436,119	2,747,516
Dongjiakou IMC Logistics	2,426,225	964,894
QQCTU	2,150,614	372,169
QQCTN	1,885,431	5,275,110
QQCTUA	1,119,266	544,246
West United	811,231	736,848
QDOT	609,783	329,973
Qingdao Leasing	439,390	378,596
Fuwai Hospital	402,843	522,770
International Cruise Port Development & Construction	357,410	640,331
QDP Commercial Insurance	194,159	3,286,249
Other related parties	3,006,677	3,553,365
	<u>65,308,062</u>	<u>57,435,941</u>

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For the year ended 31 December 2020
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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Remuneration of key management

	Year ended 31 December 2020	Year ended 31 December 2019
Remuneration of key management	<u>9,389,154</u>	<u>9,483,727</u>

(e) Other related party transactions

- (i) Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties to their clients.

	Year ended 31 December 2020	Year ended 31 December 2019
Funds received under the entrustment of related parties –		
QQCT	310,340,416	572,866,024
QQCTU	132,156,102	266,741,948
QQCTUA	36,552,774	46,851,939
QQCTN	<u>61,697,226</u>	<u>41,272,956</u>
	<u>540,746,518</u>	<u>927,732,867</u>
Funds paid to related parties –		
QQCT	318,509,244	580,168,150
QQCTU	139,250,473	273,986,339
QQCTUA	36,807,000	46,363,999
QQCTN	<u>60,929,517</u>	<u>41,018,098</u>
	<u>555,496,234</u>	<u>941,536,586</u>

Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties are collected by the Company's subsidiary QDP Logistics on behalf of related parties including QQCT, QQCTU, QQCTUA and QQCTN from their clients and paid to above related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Other related party transactions (Continued)

(ii) Port dues received by related parties on behalf of the Company

	Year ended 31 December 2020	Year ended 31 December 2019
Qingdao Shihua	117,239,897	124,827,006
QQCT	62,247,123	73,450,515
QDOT	27,770,027	2,153,576
QQCTU	21,706,141	25,711,912
QQCTN	13,666,468	10,490,272
West United	6,444,608	7,227,225
QQCTUA	5,707,973	6,303,202
	<u>254,782,237</u>	<u>250,163,708</u>

Related parties such as Qingdao Shihua and QQCT charge customers for port charges, berthing fees, and security fees for the cargo and submit 50% of them to the Company.

(iii) Accept the commission payment of related parties

	Year ended 31 December 2020	Year ended 31 December 2019
QQCT	71,791,176	86,525,265
QDOT	67,290,309	69,397,717
QQCTU	30,952,650	29,506,321
West United	28,074,216	20,899,770
Qingdao Shihua	22,836,226	28,051,833
Qingdao Port Group	15,811,683	36,849,320
QQCTN	12,695,111	14,258,920
Evergreen Container	5,717,280	5,278,790
Orient Container	3,572,238	3,536,136
QHVT	3,460,216	7,515,073
Fuwai Hospital	3,243,235	4,483,280
Luhai International Logistics	3,077,185	—
Shenhouxing Cargo Agency	2,531,580	2,327,902
Haiwan Liquid Chemical	2,151,584	1,839,343
International Cruises	2,070,006	1,462,137
QDP Investment Group	1,888,512	2,779,033
Provincial Port Group	1,601,583	872,421
Huaneng Qingdao	1,136,186	1,366,497
Lianhai Logistics	1,041,567	1,275,434
Qingdao Financial Controlling	865,965	261,113
Other related parties	7,031,892	3,861,657
	<u>288,840,400</u>	<u>322,347,962</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Other related party transactions (Continued)

- (iv) The Group charges and pays service fee arising from loading, unloading and warehousing of oil products on behalf of related parties.

The Company's subsidiary International Oil Port charges customers of its related party Qingdao Shihua the service fee arising from loading, unloading and warehousing of oil products on behalf of Qingdao Shihua and pays it to Qingdao Shihua. In 2020, the amounts received and paid for this purpose were RMB132,809,891 and RMB108,884,110 respectively.

- (v) Early retirement and supplemental retirement benefits paid on behalf of related parties

In previous years, the recognized early retirement and supplemental retirement benefit liabilities were transferred to the Group by Qingdao Port Group to further deduct the debts owned by the Group to Qingdao Port Group, and will be paid by the Group on behalf of Qingdao Port Group in future.

In 2020, the Group paid RMB2,016,840 to the retired and retired employees on behalf of Qingdao Port Group (2019: RMB1,975,365). As at 31 December 2020, a total amount of RMB18,164,729 had been paid.

- (vi) Other amount collected and paid on behalf

The Company's subsidiary, Qingdao Finance, issued the notes on behalf of the related parties, please refer to Note 10(3).

- (vii) Disposal of subsidiaries

In 2020, the Group will dispose of equities of Yongli Insurance to Shangang Financial Holdings. For relevant disclosure, please refer to Note 5(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

(a) Notes receivable

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	25,000,000	(1,250,000)	36,566,268	(1,828,313)
Qingdao Port Group	10,057,975	(502,899)	—	—
QQCTN	4,000,000	(200,000)	5,016,400	(250,820)
West United	3,297,715	(164,886)	9,618,590	(480,929)
International Cruises	2,984,507	(149,225)	—	—
QDP Investment Group	—	—	9,301,058	(465,053)
Fuwai Hospital	—	—	1,336,910	(66,845)
	<u>45,340,197</u>	<u>(2,267,010)</u>	<u>61,839,226</u>	<u>(3,091,960)</u>

(b) Accounts receivable

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	501,509,272	(45,674,017)	588,293,283	(29,456,590)
QDOT	374,584,910	(21,476,666)	294,119,761	(17,608,651)
QQCT	171,516,017	(6,020,587)	26,201,055	(1,350,609)
QQCTU	164,492,553	(5,772,212)	68,616,852	(3,437,735)
QDP Investment Group	131,638,446	(17,681,556)	126,028,386	(6,301,419)
Qingdao Port Group	88,602,405	(5,133,623)	130,880,131	(6,591,531)
Qingwei Container	55,744,929	(2,286,709)	19,000	(950)
Qingdao Shihua	55,680,675	(2,230,183)	9,897,525	(503,343)
West United	46,954,543	(1,621,286)	32,745,054	(1,638,303)
Shangang Luhai				
International	39,464,407	(1,353,696)	—	—
Binzhou Port	30,254,225	(1,037,771)	—	—
QDP Investment Real Estate	24,699,197	(5,316,608)	11,560,618	(1,147,188)
Shangang International				
Trade	20,220,683	(693,603)	—	—
Yantai Port Co., Ltd.	20,100,000	(689,464)	—	—
Haiwan Liquid Chemical	19,201,670	(7,885,437)	19,106,877	(1,860,490)
Qingdao Leasing	14,400,000	(1,749,600)	14,400,000	(720,000)
Rizhao Port	14,094,800	(483,475)	—	—
QQCTUA	13,852,763	(498,158)	7,942,281	(399,086)
Penglai Port	12,340,000	(423,283)	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(b) Accounts receivable (Continued)

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Shandong Harbor				
Construction	12,000,490	(411,637)	—	—
Ocean & Great Asia	11,500,193	(394,476)	7,074,425	(353,721)
Shenzhouxing Cargo Agency	8,937,113	(326,774)	9,322,198	(466,110)
Dongjiakou Railway	6,447,002	(783,311)	21,243,469	(1,062,173)
Evergreen Container	6,281,232	(215,457)	2,836,777	(141,839)
QHVTC	5,170,700	(621,891)	10,372,550	(518,627)
Luhai Heavy Industry	4,620,000	(158,474)	—	—
Huaneng Qingdao	4,282,825	(1,552,534)	11,588,257	(1,158,350)
Qingdao COSCO Shipping				
Container Transport	3,273,428	(112,284)	2,743,458	(137,173)
Orient Container	2,918,463	(100,108)	4,296,225	(214,811)
Lianhai Logistics	2,892,190	(99,207)	9,667,136	(483,357)
Dongjiakou IMC Logistics	2,639,841	(361,415)	14,394,187	(719,709)
OOCL	2,475,498	(84,914)	20,950	(1,048)
Lianrong Logistics	2,222,524	(76,236)	2,271,709	(113,585)
Shanghai Pan-Asia Shipping	2,112,531	(72,463)	3,584,455	(179,223)
Qingdao Ocean Shipping				
Agency	1,774,062	(60,853)	431,684	(21,584)
Provincial Port Group	1,237,038	(42,432)	1,294,464	(64,723)
Weihai Jinfeng Freight				
Forwarding	1,233,763	(36,766)	1,856,640	(92,832)
Weihai Gangsheng Shipping	1,012,773	(30,181)	—	—
Xi'an Xintong	661,175	(22,679)	14,498,035	(724,902)
Ocean Bridge International	3,963	(136)	3,222,412	(161,121)
Other related parties	9,862,139	(1,162,081)	8,937,322	(446,867)
	<u>1,892,910,438</u>	<u>(134,754,243)</u>	<u>1,459,467,176</u>	<u>(78,077,650)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(c) Contract assets

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	12,347,806	(175,828)	62,131,701	(3,853,462)
Qingdao Shihua	4,273,276	(60,850)	3,613,718	(180,686)
QDP Investment Group	3,406,446	(48,506)	25,420,255	(1,979,119)
QQCT	2,236,054	(31,841)	24,841,373	(1,242,069)
QHVTCT	1,105,806	(15,746)	95,333	(9,533)
QQCTU	1,082,040	(15,408)	1,702,148	(170,215)
QQCTN	254,084	(3,618)	54,437,883	(3,104,490)
Fuwai Hospital	866,876	(12,344)	76,477	(7,567)
Rizhao Port	835,253	(11,894)	—	—
Qingdao Port Group	444,833	(6,334)	7,742,173	(426,754)
Evergreen Container	421,345	(6,000)	550,866	(27,543)
West United	—	—	2,459,807	(171,139)
Other related parties	393,861	(5,608)	1,676,976	(86,504)
	<u>27,667,680</u>	<u>(393,977)</u>	<u>184,748,710</u>	<u>(11,259,081)</u>

(d) Advances to suppliers

	31 December 2020	31 December 2019
Dongjiakou Railway	2,756,112	—
Qingdao COSCO Shipping Container Transport	2,657,911	618,675
Yongli Insurance	978,196	—
West United	863,140	6,580,550
Shanghai Pan-Asia Shipping	297,344	124,896
Qingdao Ocean Shipping Agency	213,224	52,401
Shangang Luhai International	86,611	—
OOCL	74,720	—
Qingdao Shihua	—	3,835,256
Huaneng Qingdao	—	1,195,772
Other related parties	<u>291,989</u>	<u>170,666</u>
	<u>8,219,247</u>	<u>12,578,216</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(e) Other receivables

Dividend receivable –

	31 December 2020	31 December 2019
Binzhou Port QDP International Terminal	<u>7,689,395</u>	<u>—</u>

Ending balance of loans provided and interests –

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDP Investment Group	901,136,170	(10,021,494)	—	—
Weihai Port Group	300,398,750	(3,340,720)	—	—
QDOT	148,612,686	(2,173,730)	292,388,117	(5,119,580)
Fuwai Hospital	35,060,917	(595,006)	—	—
West United	20,026,583	(425,925)	49,065,129	(713,458)
Rizhao Bulk Supply Chain	15,019,938	(319,444)	—	—
QQCTN	—	—	101,652,800	(1,311,830)
	<u>1,420,255,044</u>	<u>(16,876,319)</u>	<u>443,106,046</u>	<u>(7,144,868)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(e) Other receivables (Continued)

Other –

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
West United	20,741,469	(1,015,191)	4,360,929	(218,046)
QDOT	19,166,552	(1,266,604)	34,661,842	(1,733,092)
Ganghai Logistics	8,252,397	(459,725)	1,432,246	(71,612)
QDP Investment Group	4,543,968	(37,938)	417,783	(20,889)
QQCTU	4,012,509	(214,402)	8,317,868	(421,783)
Qingdao Port Group	3,388,367	(297,163)	—	—
Orient Container	2,143,332	(75,702)	1,193,845	(59,692)
Qingdao Ocean Shipping Agency	1,478,000	(7,498)	942,700	(47,135)
Evergreen Container	1,424,926	(12,315)	590,000	(29,500)
Xi'an Xintong	1,151,123	(64,127)	167,284	(8,364)
QQCT	1,110,071	(44,887)	3,476,325	(214,084)
International Cruises	554,340	(30,881)	—	—
Shangang International Trade	553,474	(30,833)	—	—
QQCTN	537,787	(29,959)	2,113,362	(105,668)
Qingdao COSCO Shipping Container Transport	520,000	(2,638)	150,000	(7,500)
Qingdao Shihua	518,217	(6,414)	373,138	(18,657)
Shenzhouxing Cargo Agency	489,199	(28,861)	746,650	(37,333)
OOCL	450,000	(25,069)	—	—
Shangang Luhai International	441,937	(24,619)	—	—
Ocean Bridge International	392,355	(21,857)	7,124	(356)
Provincial Port Group	365,348	(20,353)	37,377	(1,869)
Fuwai Hospital	357,847	(19,935)	—	—
Haiwan Liquid Chemical	275,777	(13,117)	81,748	(4,087)
Qingwei Container	258,331	(14,391)	—	—
Lianhai Logistics	186,535	(10,391)	263,351	(13,168)
QQCTUA	10,000	(51)	1,237,400	(61,870)
Other related parties	546,643	(29,457)	565,970	(28,300)
	<u>73,870,504</u>	<u>(3,804,378)</u>	<u>61,136,942</u>	<u>(3,103,005)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(f) Long-term receivables

	31 December 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	943,331,235	(21,063,526)	788,379,448	(20,022,856)
QDOT	831,226,653	(10,160,877)	—	—
QQCTU	541,634,984	(15,236,999)	338,590,715	(8,600,557)
QQCT	422,572,428	(10,382,681)	222,322,208	(5,865,889)
Weihai Port	397,576,201	(9,695,902)	169,746,010	(4,311,725)
QQCTUA	128,085,633	(2,988,834)	39,707,548	(1,008,613)
Fuwai Hospital	75,094,459	(1,845,667)	77,612,482	(1,971,437)
PetroChina Storage	52,746,078	(1,293,689)	—	—
Qingwei Container	50,072,569	(957,012)	—	—
Qingdao Leasing	—	—	389,439,426	(9,631,108)
	<u>3,442,340,240</u>	<u>(73,625,187)</u>	<u>2,025,797,837</u>	<u>(51,412,185)</u>

(g) Short-term borrowings

	31 December 2020	31 December 2019
QDP Commercial Insurance	<u>—</u>	<u>6,991,684</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(h) Accounts payable

	31 December 2020	31 December 2019
West United	19,376,934	1,734,709
QDP Investment Group	9,106,378	13,937,879
QQCTU	5,415,410	6,054,857
Shangang Luhai International	4,967,239	—
Qingdao Shihua	4,963,016	5,136,664
Huaneng Qingdao	1,994,166	—
Evergreen Container	1,732,204	1,803,665
Dongjiakou Sinotrans Logistics	1,416,667	566,667
QQCT	1,320,509	1,749,915
Fuwai Hospital	1,266,194	427,507
QDOT	744,810	5,037,408
Qingdao Ocean Shipping Agency	533,309	1,168,251
Qingdao Xin Sanli Cold Box Technology Co., Ltd.	471,433	371,511
QDP Investment Real Estate	396,261	1,134,936
Lianhai Logistics	286,805	776,094
Hongyu Hotel	271,218	313,816
Lianrong Logistics	213,871	92,716
Qingdao Port Group	124,043	3,795
QQCTN	110,821	137,811
QQCTUA	96,624	12,630
Qingdao COSCO Shipping Container Transport	56,873	114,398
Shanghai Pan-Asia Shipping	19,590	2,467,032
Other related parties	766,451	721,884
	<u>55,650,826</u>	<u>43,764,145</u>

(i) Advances from customers

	31 December 2020	31 December 2019
Evergreen Container	6,352,235	—
QQCT	—	610,195
Other related parties	39,358	623,841
	<u>6,391,593</u>	<u>1,234,036</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Contract Liabilities

	31 December 2020	31 December 2019
Qingwei Container	15,743,119	—
Penglai Port	5,838,053	—
QHVTCT	5,595,047	230,088
QQCT	4,864,636	80,623,049
Qingdao Port Group	2,103,167	2,103,167
QQCTU	1,886,792	—
Ocean & Great Asia	1,450,217	1,340,708
Qingdao Ocean Shipping Agency	896,420	853,806
United Shipping Agency	442,478	—
China Shipping Agency	442,478	—
Harbor Logistics	255,673	—
Other related parties	478,551	271,007
	<u>39,996,631</u>	<u>85,421,825</u>

(k) Other payables

Ending balance of money deposits –

	31 December 2020	31 December 2019
Shangang Financial Holdings	1,512,086,512	1,036,478,976
Qingdao Shihua	1,237,796,208	821,019,457
Qingdao Port Group	1,098,912,812	131,791,929
QDP Investment Group	500,514,734	642,310,860
QQCT	333,668,773	223,383,392
International Cruise Port Development & Construction	218,669,593	31,115,228
QQCTU	179,742,416	79,875,009
Dongjiakou IMC Logistics	144,654,297	182,043,341
Weihai Port Group	140,626,180	—
QQCTUA	127,633,279	50,607,266
Rizhao Port Financial Leasing	91,676,816	—
West United	76,528,944	79,677,114
Qingdao Leasing	67,275,931	20,791,597
QQCTN	60,501,230	78,515,453
Weihai Port	54,007,123	514,622
Fuwai Hospital	51,568,834	63,764,090
Yufeng Energy	45,437,635	—
QDOT	31,352,598	23,183,985
Lianhai Logistics	25,237,034	25,955,010

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(k) Other payables (Continued)

Ending balance of money deposits – (Continued)

	31 December 2020	31 December 2019
Haiwan Liquid Chemical	24,708,055	18,911,561
Qingwei Container	23,709,307	3,638
International Cruises	22,145,871	17,561,089
Qingdao Port Travel Agency	22,061,317	17,678,268
China Hong Kong Jinyuan	20,935,391	—
Qinggang Shihua	19,611,996	—
Yongli Insurance	19,796,151	—
Rizhao Port Commercial Factoring	19,363,571	—
Weihai International Logistics Park	18,665,780	—
Weihai Shichang Logistics	17,250,807	—
Evergreen Container	16,657,602	17,417,001
Assets Management Company	15,142,524	20,064,643
Lianrong Logistics	13,430,208	11,731,501
Weigang Property	11,805,076	—
QDP Commercial Insurance	10,927,402	34,435,745
Ganghai Logistics	10,685,494	85,973,801
Shandong Port Supply Chain	10,180,372	—
Weihai Zhongli Ocean Shipping Tally	6,004,106	—
Weihai Gangtong Technology	5,673,619	—
Qingdao Port Insurance Brokerage Co. Ltd.	5,539,269	4,223,724
QDP Investment Real Estate	3,539,707	4,282,894
Commercial Insurance	3,522,862	—
Weihai Gangfeng Shipping Agency	3,501,208	—
Dongjiakou Sinotrans Logistics	3,417,737	26,566,044
Shandong Weihai Port International Logistics Co., Ltd.	3,268,074	—
Weihai Shichang Liquor Industry	3,108,531	—
Weihai Dingxin Construction Engineering Co., Ltd.	3,097,762	—
Hongyu Hotel	2,691,083	1,285,265
Weihai Port International Trade	2,543,784	—
Shandong Port Fund Management Co., Ltd.	2,414,854	181,636
Finance Guarantee	3,329,706	300,689,314
QQCTI	—	694,414,004
Other related parties	22,018,155	27,934,814
	6,368,638,330	4,774,382,271

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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(k) Other payables (Continued)

Other –

	31 December 2020	31 December 2019
Qingdao Shihua	27,956,828	22,550
QDP Investment Group	27,707,301	17,547,450
QQCT	14,689,304	15,891,033
Qingdao Port Group	12,328,358	—
Ganghai Logistics	3,474,944	—
QQCTU	2,617,290	7,926,312
QQCTN	2,455,125	1,358,353
Lianyungang Ocean Fluid Handling Equipment Co., Ltd.	2,300,885	—
Shandong Harbor Construction	2,011,073	—
QQCTUA	1,139,779	1,355,292
Evergreen Container	616,555	1,083,002
Orient Container	457,269	567,751
Ocean & Great Asia	558,643	1,547,868
Orient Container	457,269	567,751
QDP Investment Real Estate	206,830	206,147
QDOT	432	3,310,161
West United	—	635,964
Other related parties	1,435,683	1,345,046
	<u>100,413,568</u>	<u>53,364,680</u>
	<u>6,469,051,898</u>	<u>4,827,746,951</u>

(l) Other non-current liabilities

	31 December 2020	31 December 2019
QQCT	2,618,350,809	2,815,772,185
QQCTN	47,859,860	50,378,800
QQCTU	13,717,414	14,927,773
	<u>2,679,928,083</u>	<u>2,881,078,758</u>

(m) Lease liabilities

	31 December 2020	31 December 2019
Qingdao Leasing	<u>137,886,473</u>	<u>438,267,872</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Operating lease receipts after the balance sheet date

Pursuant to the signed irrevocable operating lease contract, in addition to the operating lease out commitments mentioned in Note 4 (37), the Group's future collection of related party rents is summarized as follows:

	31 December 2020	31 December 2019
QQCT	302,058,000	329,456,000
Evergreen Container	107,987,996	5,687,500
QQCTU	101,420,000	110,640,000
QQCTN	34,931,828	14,760,000
QQCTUA	20,130,000	21,960,000
Lianhai Logistics	3,511,358	—
Micro Lending Company	101,250	182,250
Fuwai Hospital	62,500	—
QDP Pilot Station	42,858	—
West United	52,500	115,500
Qingdao Shihua	—	22,500
Binzhou Port QDP International Terminal	—	40,608,000
	<u>570,298,290</u>	<u>523,431,750</u>

(8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the year ended 31 December 2020, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB5,681,000,000 (For the year ended 31 December 2019: RMB1,614,000,000). As at 31 December 2020, entrusted loans amounted to RMB5,926,000,000 (31 December 2019: RMB3,108,000,000). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognized in the consolidated financial statements. Management considered that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk. Off-balance sheet activities related to investment commitments are set out in Note 10(3).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors

(a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2020 are set out below:

Name	Emoluments in respect of a person's services as a director					Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Annuity plan	Social pension	Bonus		
Executive directors:							
Zhang Jiangnan (i)	—	—	—	—	—	—	—
Jiang Chunfeng (i)	—	—	—	—	—	—	—
Li Fengli (ii)	—	—	—	—	—	—	—
Jia Funing(iii)	—	—	—	—	—	—	—
Wang Xinze (Chief Executive Officer) (iv)	—	400,370	40,896	43,912	633,728	—	1,118,906
Non-executive Directors:							
Jiao Guangjun (v)	—	—	—	—	—	—	—
Zhang Wei (vi)	—	—	—	—	—	—	—
Zhang Jiangnan(i)	—	33,765	3,872	4,577	52,293	—	94,507
Chu Xiaozong (vi)	—	115,828	14,088	12,393	188,372	—	330,681
Wang Fuling(vii)	—	247,553	16,296	28,971	356,253	—	649,073
Su Jianguang(viii)	—	—	—	—	—	—	—
Jiang Chunfeng(i)	—	27,557	3,408	4,577	48,501	—	84,043
Wang Jun(viii)	—	—	—	—	—	—	—
Feng Boming(viii)	—	—	—	—	—	—	—
Independent							
Non-executive Directors:							
Li Yan	200,057	—	—	—	—	—	200,057
Jiang Min	200,057	—	—	—	—	—	200,057
Li Guohao	244,187	—	—	—	—	—	244,187

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For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

Name	Emoluments in respect of a person's services as a director					Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Annuity plan	Social pension	Bonus		
Supervisors:							
Zhang Qingcai	—	—	—	—	—	—	—
Li Wucheng(ix)	—	57,114	7,112	7,297	46,436	—	117,959
Xia Xiliang(x)	—	163,163	9,442	28,971	289,051	—	490,627
Liu Shuiguo	—	286,479	19,425	43,912	505,358	—	855,174
Wang Xiaoyan	—	251,841	15,567	18,966	269,185	—	555,559
Yang Qiulin	155,304	—	—	—	—	—	155,304
Wang Yaping	155,304	—	—	—	—	—	155,304
	<u>954,909</u>	<u>1,583,670</u>	<u>130,106</u>	<u>193,576</u>	<u>2,389,177</u>	<u>—</u>	<u>5,251,438</u>

- (i) Resigned from executive director on 10 January 2020 and was transferred to Non-executive Director, and retired from the position of director on 26 March 2020.
- (ii) Resigned from chairman of the board on 10 June 2020.
- (iii) Appointed as chairman of the board on 10 June 2020.
- (iv) Appointed as Chief Executive Officer on 10 January 2020 and appointed executive director on 10 June 2020.
- (v) Resigned from director on 10 January 2020.
- (vi) Resigned from director on 20 May 2020.
- (vii) Resigned from director on 10 June 2020.
- (viii) Resigned from director on 20 May 2020.
- (ix) Resigned from supervisor on 26 March 2020.
- (x) Appointed as supervisor on 10 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

The remuneration of every director, supervisor and CEO for the year ended 31 December 2019 are set out below:

Emoluments in respect of a person's services as a director						Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
Name	Fees	Salary and allowance	Annuity plan	Social pension	Bonus		
Executive directors:							
Li Fengli(i)	—	—	—	—	—	—	—
Zheng Minghui (ii)	—	—	—	—	—	—	—
Zhang Jiangnan (Chief Executive Officer)	—	176,838	42,240	54,844	960,000	—	1,233,922
Jiang Chunfeng	—	246,086	41,930	54,844	840,306	—	1,183,166
Non-executive Directors:							
Jiao Guangjun	—	—	—	—	—	—	—
Zhang Wei	—	—	—	—	—	—	—
Chu Xiaozhong	—	263,486	30,885	54,844	840,306	—	1,189,521
Independent Non-executive Directors:							
Zou Guoqiang(iii)	130,767	—	—	—	—	—	130,767
Li Yan(iv)	103,571	—	—	—	—	—	103,571
Jiang Min(iv)	103,571	—	—	—	—	—	103,571
Li Guohao(iv)	130,825	—	—	—	—	—	130,825
Supervisors:							
Zhang Qingcai	—	—	—	—	—	—	—
Li Wucehng	—	267,746	29,003	54,844	840,306	—	1,191,899
Liu Shuiguo	—	278,158	16,960	54,844	337,944	—	687,906
Wang Xiaoyan	—	223,125	15,062	52,643	105,930	—	396,760
Li Xuxiu(v)	51,745	—	—	—	—	—	51,745
Liu Dengqing(v)	51,745	—	—	—	—	—	51,745
Yang Qiulin(vi)	155,304	—	—	—	—	—	155,304
Wang Yaping(vi)	155,304	—	—	—	—	—	155,304
	882,832	1,455,439	176,080	326,863	3,924,792	—	6,766,006

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

- (i) Appointed as director on 17 May 2019.
- (ii) Resigned from director on 29 January 2019.
- (iii) Resigned from director on 17 May 2019.
- (iv) Appointed as director on 17 May 2019.
- (v) Resigned from supervisor on 17 May 2019.
- (vi) Resigned as director and was transferred to supervisor on 17 May 2019. The remuneration is the total remuneration for independent non-executive directors and independent supervisors in 2019.

	Providing director services to the Company or its subsidiaries		Providing director services to the Company or its subsidiaries		Total	
	2020	2019	2020	2019	2020	2019
Directors' emoluments (Executive and non-executive directors)	<u>2,277,210</u>	<u>3,606,609</u>	<u>—</u>	<u>—</u>	<u>2,277,210</u>	<u>3,606,609</u>

In 2020, directors Wang Xinze, non-executive director Wang Jun and Su Jianguang provided management services for the Company or its subsidiaries. The Group did not explicitly clarify the remunerations of the above personnel as directors, supervisors or managers. Therefore, they were grouped and presented as “the remuneration for services provided as directors and supervisors”.

In 2019, directors Zhang Jiangnan, Jiang Chunfeng, Chu Xiaozhong, and supervisors Li Wucheng, Liu Shuiguo, and Wang Xiaoyan provided management services for the Company or its subsidiaries. The Group did not explicitly clarify the remunerations of the above personnel as directors, supervisors or managers. Therefore, they were grouped and presented as “the remuneration for services provided as directors and supervisors”.

In 2020, directors Li Fengli, Jia Funing, Su Jianguang, Wang Jun, Jiao Guangjun and supervisor Zhang Qingcai were employed and paid by QDP Group. Director Zhang Wei was employed and paid by China COSCO SHIPPING Corporation Limited Co., Ltd. from January to May in 2020, and non-executive director Feng Boming was employed and paid by COSCO SHIPPING Ports Limited Co., Ltd. (“COSCO SHIPPING Ports”) from June to December in 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

In 2019, directors Zheng Minghui, Li Fengli, Jiao Guangjun and supervisor Zhang Qingcai were employed and paid by QDP Group. Director Zhang Wei was employed and paid by COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") from January to September in 2019, and was employed and paid by China COSCO SHIPPING Corporation Limited from October to December in 2019.

In 2020 and 2019, the Group had no directors waiving their remunerations.

- (b) In 2020 and 2019, the Group had no retirement benefits for directors because of providing director services.
- (c) In 2020 and 2019, the Group did not pay termination benefits for directors.
- (d) In 2020 and 2019, the Group did not pay consideration to third parties in return for director services.
- (e) In 2020 and 2019, the Group did not provide loans, quasi-loans to directors, legal persons controlled by directors or associated persons of directors, nor provide guarantees for loans to directors, legal persons controlled by directors or associated persons of directors.
- (f) In 2020 and 2019, the Company did not sign any important transactions, arrangements or contracts in which the directors of the Company directly or indirectly had significant interests.

(10) Five highest paid individuals

The top five highest paid remunerations of the Group in 2020 include 1 director and 1 supervisor (2019: 2 directors and 1 supervisor), whose remuneration has been reflected in Note 8 (9); the other 3(2019: 2) total amount of compensation is listed below:

	2020	2019
Salary and allowance	1,054,695	424,424
Annuity plan	70,983	85,268
Social security contributions	115,457	109,688
Bonus	1,496,333	1,800,306
	<u>2,737,468</u>	<u>2,419,686</u>
	Number of individuals	
	2020	2019
Emolument bands:		
HKD0 – 1,000,000	1	—
HKD1,000,000 – 1,500,000	2	2
	<u>3</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

9 OTHER EVENTS

On 15 August 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to Qingdao Port Group and the Company ("QDP Relevant Parties"). The plaintiff, Pacorini Metals (Shanghai) Logistics Co. Ltd. ("Pacorini Logistics") requested the court to order that Qingdao Hongtu Logistics Co., Ltd. ("Qingdao Hongtu", third party freight agency company) and QDP Relevant Parties to deliver the aluminum ingot ("Litigation I") and alumina ("Litigation II") stored at QDP Relevant Parties to Pacorini Logistics, or to compensate for the corresponding value of the cargo (aluminum ingot amounted to approximately RMB120,065,057, and alumina amounted to approximately USD38,892,195), and Qingdao Hongtu and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

On 28 July 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to QDP Relevant Parties. The plaintiff CITIC Australia Commodity Trading Pty Ltd. ("CITIC") requested the court to order that QDP Relevant Parties delivered the cargo stored at QDP Relevant Parties ("Litigation III"), or to compensate for the corresponding value of the cargo amounted to approximately USD108,078,798 (equivalent to approximately RMB664,987,225), and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

The above involved cargoes were stored at QDP Relevant Parties under the name of Hongtu Logistics, and have been detained by the Public Security Authority due to Hongtu Logistics' suspected involvement in criminal activities, and Hongtu Logistics were under a fraud investigation by the Public Security Authority as well. On 25 April 2019, the Court made the final judgement for the "Litigation I", QDP Relevant Parties do not need to bear any responsibility, Legal effect from the date of service of the ruling. "Litigation II" and "Litigation III" were transferred to the public security organ for ruling by the court and the civil proceedings has been ended.

Given there is no contractual relationship between the Companies, Pacorini Logistics and CITIC, the Directors have the consistent view that the aforesaid litigations are lack of sufficient basis. As the above events took place before the incorporation date of the Company, pursuant to the arrangement of the restructuring agreement reached between the Company and Qingdao Port Group on 25 November 2013, Qingdao Port Group will provide corresponding compensation to the Company for the damages arising from the judgement which may be rendered against the Company by the Court. Accordingly the Directors were of the view that the aforesaid litigations and the related judgement and order would not impose any significant adverse impact on the business and operation of the Group, and no provision was needed for the events mentioned above.

10 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	31 December 2020	31 December 2019
Port facilities and others	<u>1,033,350,098</u>	<u>554,444,933</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

10 COMMITMENTS (Continued)

(2) Investment commitments

Pursuant to an agreement with Maersk Wharf Limited ("Maersk Wharf") and Vado Investment in October 2016, International development, a subsidiary of the Group, undertakes to purchase a 16.5% stake in Vado Investment held by Maersk Terminal for EUR1,745,370 and The share ratio increased to the Vado Investment Company by EUR14,077,800, with a total commitment of EUR15,823,170. As at 31 December 2020, the amount of the unpaid investment was EUR5,692,870.

(3) Other commitments

As at 31 December 2020, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB79,691,061 in total (31 December 2019: RMB195,136,417). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

The Group entered into contracts with clients, some requested the Group to issue letter of guarantee to insure that the project will be completed in time with required quality as set out in the contract. As at 31 December 2020, Qingdao Finance issued letter of guarantee with the amount of approximately RMB9,103,250 (31 December 2019: RMB51,514,350) for the purpose aforesaid.

In view of the application of the Company's subsidiary, QDP Logistics, to the Shanghai Futures Exchange for domestic natural rubber, pulp and No. 20 standard rubber futures designated delivery warehouse qualification, in order to develop domestic natural rubber futures and stock, pulp stock and futures and No. 20 standard rubber stock and futures warehousing and related extension for the logistics business, the Board of Directors agreed to successively issue a guarantee letter for the application and business of the delivery warehouse qualification for the domestic natural rubber, pulp futures and No. 20 standard rubber futures of QDP Logistics respectively from 2018 pursuant to the relevant regulations of the Shanghai Futures Exchange. The guarantee period is two years from the issue date of the guarantee letter to the expiry date of the designated delivery warehouse agreement (the expiry dates of the agreement are 30 June 2021, 11 November 2022 and 7 January 2022, respectively). The amount of the highest financial liability the Company should bear for QDP Logistics's futures delivery warehousing business is about RMB3.3 billion. As at 31 December 2020, the value of stocks for rubber, pulp and No. 20 standard rubber futures was RMB543 million.

11 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution of the Board of Directors on 29 March 2021, the Board of Directors proposed that the Company pay a cash dividend of 2020 to all shareholders at RMB2.622 (including tax) per ten shares. Based on the 6,491,100,000 shares issued, the proposed cash dividends are RMB1,701,966,420. The above proposal is pending approval by the shareholders meeting and has not been recognized as a liability in these financial statements (Note 4(43)).

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

12 OPERATING LEASE RECEIPTS AFTER THE BALANCE SHEET DATE

The Group's future rent collection (undiscounted amount) as a lessor after the balance sheet date is summarized as follows:

	31 December 2020	31 December 2019
Within a year	57,342,171	57,302,027
One to two years	54,795,066	44,593,195
Two to three years	52,259,222	44,322,402
Three to four years	47,195,559	43,699,365
Four to five years	46,778,559	43,464,253
More than five years	327,919,021	313,220,500
	<u>586,289,598</u>	<u>546,601,742</u>

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other), credit risk and liquidity risk. The financial risks and the risk management policies adopted by the Group to reduce the risks are as follows:

The Board of Directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and relevant guidelines and monitoring the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks the Group exposes to. Specific risks are explicitly stipulated by these risk management policies, covering management of market risk, credit risk and liquidity risk, etc. The Group assesses market environment and changes of operating activities of the Group periodically to determine whether updates are needed for risk management policies and systems. Risk management of the Group is carried out by the risk management committee pursuant to the approval of the Board of Directors. Risk management committee identifies, evaluates and mitigates relevant risks through close cooperation with other business departments of the Group. The Group's audit department periodically reviews the risk management controls and procedures, and reports the results to the Group's Audit Committee.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD and EUR). The Group monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. In 2020, the Group did not sign forward foreign exchange contracts or currency swap contracts.

NOTES TO THE FINANCIAL STATEMENTS

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13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2020 and 31 December 2019, the carrying amounts in RMB equivalent of the Group's financial assets, financial liabilities and lease liabilities denominated in foreign currencies are summarized below:

	31 December 2020			
	USD	EUR	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	768,337,205	200,970	9,635	768,547,810
Receivables	601,312,985	1,138,226	117,353	602,568,564
	<u>1,369,650,190</u>	<u>1,339,196</u>	<u>126,988</u>	<u>1,371,116,374</u>
Financial liabilities denominated in foreign currency –				
Payables	(463,373,515)	—	(13,185)	(463,386,700)
Short-term borrowings	(94,611,050)	—	—	(94,611,050)
Long-term borrowings	—	(82,887,952)	—	(82,887,952)
	<u>(557,984,565)</u>	<u>(82,887,952)</u>	<u>(13,185)</u>	<u>(640,885,702)</u>
31 December 2019				
	USD	EUR	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	1,142,562,629	—	15,101	1,142,577,730
Receivables	466,019,248	471,103	76,958	466,567,309
	<u>1,608,581,877</u>	<u>471,103</u>	<u>92,059</u>	<u>1,609,145,039</u>
Financial liabilities denominated in foreign currency –				
Payables	(396,123,222)	—	(32,883)	(396,156,105)
Short-term borrowings	(18,941,400)	—	—	(18,941,400)
Long-term borrowings	—	(76,309,390)	—	(76,309,390)
	<u>(415,064,622)</u>	<u>(76,309,390)</u>	<u>(32,883)</u>	<u>(491,406,895)</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2020, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB24,350,000 (31 December 2019: approximately RMB35,806,000) lower/higher for various financial assets and liabilities dominated in USD held by the Group whose recording currency is RMB, which would have no effect on other comprehensive income. As at 31 December 2020, if RMB had strengthened/weakened by 4% against the EUR while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB2,446,000 (31 December 2019: RMB2,391,000) higher/lower for various financial assets and liabilities dominated in EUR held by the Group whose recording currency is RMB, which would have no effect on other comprehensive income.

(b) Interest rate risk

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, certain loans provided to related parties and third parties with fixed interest rate and bonds payable, the amounts aforesaid are all subject to floating interest rate. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2020, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB6,357,314,626 (Note4(29)), among which RMB6,275,654,879 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB2,116,900,000 (Note4(32)) was subject to fixed interest rate; and bank borrowings of RMB274,926,140 (Note 4(23), (31)), among which RMB57,250,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 31 December 2020, the Group's interest bearing assets included cash at bank and on hand of RMB8,528,930,743 (Note 4(1)), among which RMB6,708,193,363 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB4,902,917,899 (Note 4(7), (11)), among which RMB1,547,028,269 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the year ended 31 December 2020 and 31 December 2019, the Group did not enter into any interest rate swap agreements.

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2020, if bank interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB215,000 (31 December 2019: approximately RMB320,000).

As at 31 December 2020, if interest rates on cash at bank and on hand, loans provided to related parties and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 31 December 2020 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB2,619,000 (31 December 2019: approximately RMB2,121,000).

The Group's other price risks mainly arise from all kinds of equity instrument investments, with risk of changes in the price of equity instruments.

As at 31 December 2020, if the expected price of the Group's various equity instrument investments increased or decreased by 10% while all other variables had been held constant, the Group's net profit would have increased or decreased by approximately RMB5,416,000. (31 December 2019: approximately RMB5,416,000).

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, financing receivables, other receivables, contract assets, debt investments, other debt investments and financial guarantee contracts as well as debt instruments measured at fair value through profit or loss that are not included in the impairment assessment scope. On the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure. Except for the company's guarantee for Qinggang Logistics futures delivery warehouse business mentioned in Note 10(3), the maximum credit risk exposure outside the balance sheet is the maximum amount of RMB88,794,311 required to perform financial guarantee.

The Group's cash at bank and on hand is mainly cash at bank deposited at state-owned banks and other medium or large size listed banks with good reputation and a higher credit rating. The Group does not expect that there will be any significant credit risk and losses from non-performance by these banks.

In addition, the Group has relevant policies to limit the credit risk exposure on notes receivable, accounts receivable, financing receivables, other receivables and contract assets. The Group assesses the credit quality of and sets credit periods on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2020 and 31 December 2019, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow projections. On the basis of summarizing the cash flow forecasts of each subsidiary, the Group continuously monitors short-term and long-term capital needs at the group level to ensure that sufficient cash reserves are readily available and continuous monitoring of compliance with the loan agreement provisions, from major financial institutions to obtain sufficient backup funds to meet short-term and long-term funding needs.

The financial liabilities of the Group at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	135,636,612	—	—	—	135,636,612
Notes payable	890,180,633	—	—	—	890,180,633
Accounts payable	1,197,290,688	—	—	—	1,197,290,688
Other payables	9,476,565,342	—	—	—	9,476,565,342
Lease liabilities	—	98,098,318	40,369,892	10,863,511	149,331,721
Current portion of non-current liabilities	2,324,354,531	—	—	—	2,324,354,531
Long-term borrowings	2,995,710	101,687,899	10,106,055	—	114,789,664
Long-term payables	—	2,020,000	6,060,000	32,893,544	40,973,544
	<u>14,027,023,516</u>	<u>201,806,217</u>	<u>56,535,947</u>	<u>43,757,055</u>	<u>14,329,122,735</u>
	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	130,583,654	—	—	—	130,583,654
Notes payable	1,164,769,783	—	—	—	1,164,769,783
Accounts payable	1,411,666,083	—	—	—	1,411,666,083
Other payables	7,217,951,386	—	—	—	7,217,951,386
Lease liabilities	—	104,061,215	301,649,787	10,863,511	416,574,513
Current portion of non-current liabilities	256,301,164	—	—	—	256,301,164
Bonds payables	22,811,686	2,218,695,577	—	—	2,241,507,263
Long-term borrowings	4,970,623	34,615,277	104,448,355	—	144,034,255
Long-term payables	—	2,100,000	6,300,000	34,695,019	43,095,019
	<u>10,209,054,379</u>	<u>2,359,472,069</u>	<u>412,398,142</u>	<u>45,558,530</u>	<u>13,026,483,120</u>

At the balance sheet date, the maximum guarantee amount for financial guarantees provided by the Group to outside parties can be paid within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk (Continued)

Bank borrowings and bonds payable are analyzed by repayment terms as follows:

	31 December 2020		31 December 2019	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	165,649,023	2,174,322,091	156,308,589	—
1 to 2 years	99,708,639	—	30,430,000	2,116,900,000
2 to 5 years	10,000,000	—	102,452,988	—
	<u>275,357,662</u>	<u>2,174,322,091</u>	<u>289,191,577</u>	<u>2,116,900,000</u>

14 FAIR VALUE ESTIMATES

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value management:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2020, the assets measured at fair value on a continuing basis are listed below at the 3 levels above:

	Level 1	Level 2	Level 3	Total
Monetary assets				
Financial assets held for trading –				
Wealth management products	—	444,340,300	677,472,778	1,121,813,078
Financing receivables –				
Notes receivable	—	—	528,732,800	528,732,800
Other current assets –				
Interbank deposit certificate	2,224,427,170	—	—	2,224,427,170
Other non-current financial assets –				
Financial bond	514,100,589	—	—	514,100,589
Equity investment	—	—	72,207,877	72,207,877
Total	<u>2,738,527,759</u>	<u>444,340,300</u>	<u>1,278,413,455</u>	<u>4,461,281,514</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2019, the assets measured at fair value on a continuing basis are listed below at the 3 levels above:

	Level 1	Level 3	Total
Monetary assets			
Financial assets held for trading –			
Wealth management products	200,997,200	700,000,000	900,997,200
Financial bond	51,675,953	—	51,675,953
Financing receivables –			
Notes receivable	—	705,149,454	705,149,454
Other current assets –			
Interbank deposit certificate	4,382,429,400	—	4,382,429,400
Other non-current financial assets –			
Financial bond	465,888,977	—	465,888,977
Equity investment	—	72,207,877	72,207,877
Total	<u>5,100,991,530</u>	<u>1,477,357,331</u>	<u>6,578,348,861</u>

The Group has no continuing liabilities measured at fair value.

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There are no transfers between levels for the current year.

For financial instruments traded in active markets, the Group determines their fair value with their active market quotations; for financial instruments not traded in active markets, the Group uses valuation techniques to determine their fair value. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of valuation technique mainly include risk-free interest rate, benchmark interest rate, expected yield, PE multiplier, PB multiplier, and liquidity discount.

NOTES TO THE FINANCIAL STATEMENTS

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14 FAIR VALUE ESTIMATES (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

Changes of the above Level 3 financial assets are analyzed below:

	31 December 2019	purchase	sale	settle	31 December 2020	The total profit of the current year is included in the profit and loss (a)
Monetary assets						
Financial assets held for trading –						
Wealth management products	700,000,000	7,642,000,000	(7,665,150,000)	622,778	677,472,778	130,918,384
Financing receivables –						
Bank acceptance notes receivable	705,149,454	2,168,463,336	(1,403,452,105)	(941,427,885)	528,732,800	(1,273,168)
Other non-current financial assets –						
Equity investment	72,207,877	—	—	—	72,207,877	11,921,800
Total	<u>1,477,357,331</u>	<u>9,810,463,336</u>	<u>(9,068,602,105)</u>	<u>(940,805,107)</u>	<u>1,278,413,455</u>	<u>141,567,016</u>

	31 December 2018	purchase	sale	settle	31 December 2019	The total profit of the current year is included in the profit and loss (a)
Monetary assets						
Financial assets held for trading –						
Wealth management products	871,000,000	1,805,000,000	(1,976,000,000)	—	700,000,000	35,747,912
Financing receivables –						
Notes receivable	670,396,485	3,128,492,446	(2,288,723,267)	(805,016,210)	705,149,454	(4,144,864)
Other non-current financial assets –						
Equity investment	72,207,877	—	—	—	72,207,877	11,272,600
Non-principal-guaranteed floating income wealth management products	61,000,000	—	(61,000,000)	—	—	2,737,479
Total	<u>1,674,604,362</u>	<u>4,933,492,446</u>	<u>(4,325,723,267)</u>	<u>(805,016,210)</u>	<u>1,477,357,331</u>	<u>45,613,127</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

- (a) Gains or losses included in the current profit and loss are included in the income statement, such as changes in fair value changes, investment income, etc.

The relevant information for Level 3 measured at fair value is as follows:

	Fair value on 31 December 2020	Valuation techniques	Inputs			
			Parameter	Range/ Weighted average	The relationship of fair value	Observable/ Unobservable
Financial assets held for trading –		Discounted			Positive	
Wealth management products	677,472,778	cash flow	Expected yield	3.4% to 4.1%	correlation	Unobservable
Receivables financing –		Discounted	Expected		Negative	
Bank acceptance notes receivable	528,732,800	cash flow	discount rate	3.2% to 4.5%	correlation	Unobservable
			Comparable	PE multiplier: 2.1 to 22.7		
			listed company	PB multiplier: 0.1 to 4.1		
Other non-current financial assets –		Marketing	PE multiplier,	Lack of liquidity	Positive	
Equity investment	72,207,877	method	PB multiplier, etc.	discount: 20% to 30%	correlation	Unobservable
	<u>1,278,413,455</u>					
	Fair value on 30 December 2019	Valuation techniques	Inputs			
			Parameter	Range/ Weighted average	The relationship of fair value	Observable/ Unobservable
Financial assets held for trading –		Discounted			Positive	
Non-principal-guaranteed		cash flow	Expected yield	3.5% to 4.0%	correlation	Unobservable
floating income wealth	700,000,000					
management products		Discounted	Expected		Negative	
Receivables financing –		cash flow	discount rate	3.2% to 4.5%	correlation	Unobservable
Bank acceptance notes receivable	705,149,454		Comparable	PE multiplier: 5.7 to 24.6		
			listed company	PB multiplier: 0.2 to 4.0		
Other non-current financial assets –		Marketing	PE multiplier,	Lack of liquidity	Positive	
Equity investment	72,207,877	method	PB multiplier, etc.	discount: 20% to 30%	correlation	Unobservable
	<u>1,477,357,331</u>					

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14 FAIR VALUE ESTIMATES (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

The relevant information for Level 2 measured at fair value is as follows:

	Fair value on 31 December 2020	Valuation techniques	Observable input value	
			Parameter	Range/ Weighted average
Financial assets held for trading – Wealth management products	<u>444,340,300</u>	Discounted cash flow	Observable net value	1.0168

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortized cost mainly include notes receivables, accounts receivable, other receivables, debt investments, long-term receivables, short-term borrowings, notes payable, accounts payables, other payables, bonds payable, long-term borrowings, long-term payables, lease liability, etc.

The carrying amount of the financial assets and liabilities mentioned above not measured at fair value has little difference with their fair value.

15 CAPITAL 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, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements and monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by interest bearing liabilities deducting cash and cash equivalents. Total capital is calculated by shareholder's equity presented in consolidated balance sheet plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

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15 CAPITAL MANAGEMENT (Continued)

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio is as follows:

	31 December 2020	31 December 2019
Principal on bank borrowings (Note 4(23), (31))	274,926,140	289,191,577
Customer deposits at Qingdao Finance (Note 4(29))	6,357,314,626	4,759,108,178
Principal on bonds payable (Note 4(32))	2,116,900,000	2,116,900,000
Less: Cash (Note 4(55)(a))	<u>(6,076,037,331)</u>	<u>(3,998,246,081)</u>
Net debt	2,673,103,435	3,166,953,674
Shareholders' equity	<u>36,740,732,133</u>	<u>33,597,362,042</u>
Total capital	<u>39,413,835,568</u>	<u>36,764,315,716</u>
Gearing ratio	<u>7%</u>	<u>9%</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash at bank	8,318,514,901	8,255,276,453
Other cash balances	<u>15,481,350</u>	<u>9,811,661</u>
	<u>8,333,996,251</u>	<u>8,265,088,114</u>
Including: amounts deposited abroad	38,033	167,474,289

As at 31 December 2020, other monetary funds included the deposit of RMB13,613,550 (31 December 2019: RMB8,476,340) deposited by the Company to the bank for the issuance of acceptance bills RMB1,494,000 (31 December 2019: RMB1,335,321). And a deposit of RMB373,800 (31 December 2019: Nil) to the bank for the issuance of letters of guarantee.

As 31 December 2020, the Company had RMB6,682,759,560 (31 December 2019: RMB6,027,363,445) bank deposits were deposited with Qingdao Finance, a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	1,294,613,906	1,048,696,054
Less: Provision for bad debts	<u>(74,637,618)</u>	<u>(52,250,286)</u>
	<u>1,219,976,288</u>	<u>996,445,768</u>

The Company's income is partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled mainly by providing credit terms ranged from 30 to 90 days.

(a) The age of receivables and provision for bad debts are as follows:

	31 December 2020	31 December 2019
Within 1 year	1,007,998,476	1,004,725,899
1 to 2 years	269,348,043	41,390,001
2 to 3 years	15,882,904	—
3 to 4 years	—	—
4 to 5 years	—	1,195,671
Over 5 years	<u>1,384,483</u>	<u>1,384,483</u>
	<u>1,294,613,906</u>	<u>1,048,696,054</u>

Accounts receivable are mainly recorded based on the date of transaction. The ageing of accounts receivable represented based on their recording dates is basically the same as the ageing represented based on the dates of invoice.

(b) As at 31 December 2020, the total amount of top five accounts receivable is analyzed as follows:

	Amount	Provision for bad debts	% of total accounts receivable balance
Total amount of top five accounts receivable	<u>641,261,739</u>	<u>(40,225,208)</u>	<u>49.53%</u>

(c) As at 31 December 2020, the Group had no accounts receivable derecognized due to factoring without recourse(As at 31 December 2019:nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(d) Bad debt provision

The Company measures the provision of accounts receivable based on the lifetime ECL regardless of whether there exists a significant financing component.

Accounts receivables are analyzed by category as follows:

31 December 2020			
Ending balance		Provision for bad debts	
Amount	% of total balance	Amount	Lifetime ECL rate
Bad debt provision on the grouping basis(ii)			
Group A	125,532,566	9.70%	—
Group B	719,188,437	55.55%	(56,337,632)
Group C	449,892,903	34.75%	(18,299,986)
	<u>1,294,613,906</u>	<u>100.00%</u>	<u>(74,637,618)</u>
31 December 2019			
Ending balance		Provision for bad debts	
Amount	% of total balance	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)			
	1,195,671	0.11%	(1,195,671)
Bad debt provision on the grouping basis(ii)			
Group A	82,693,203	7.89%	—
Group B	356,991,439	34.04%	(24,466,124)
Group C	607,815,741	57.96%	(26,588,491)
	<u>1,048,696,054</u>	<u>100.00%</u>	<u>(52,250,286)</u>

NOTES TO THE FINANCIAL STATEMENTS

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

- (i) As at 31 December 2020, the Company had no accounts receivable of which the provision for bad debts is made on the individual basis. Due to Haikou Nanqing RMB1,195,671, the company has declared bankruptcy. The company believes that the above receivables are difficult to recover, so it made provision for bad debts in full at 31 December 2019. In 2020, those receivables was recovered through income of realisation of Haikou Nantsing's assets due to bankruptcy liquidation.
- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analyzed as follows:

Accounts Receivable Group B – Accounts receivable from engineering and construction businesses of companies outside the scope of consolidation:

	31 December 2020		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	484,732,764	4.39%	(21,283,762)
1 to 2 years	220,527,688	13.27%	(29,263,253)
Over 2 years	13,927,985	41.58%	(5,790,617)
	<u>719,188,437</u>		<u>(56,337,632)</u>
31 December 2019			
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	332,665,634	5.99%	(19,929,737)
1 to 2 years	24,325,805	18.65%	(4,536,387)
	<u>356,991,439</u>		<u>(24,466,124)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

(ii) (Continued)

Accounts Receivable Group C-Accounts receivable of companies outside the scope of consolidation, excluding engineering and construction businesses:

	31 December 2020		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	444,053,444	3.48%	(15,460,527)
1 to 2 years	4,454,976	32.66%	(1,454,976)
Over 2 years	1,384,483	100.00%	(1,384,483)
	<u>449,892,903</u>		<u>(18,299,986)</u>

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	600,777,126	3.59%	(21,549,876)
1 to 2 years	5,654,132	64.63%	(3,654,132)
Over 2 years	1,384,483	100.00%	(1,384,483)
	<u>607,815,741</u>		<u>(26,588,491)</u>

(iii) For the year ended on 31 December 2020, the provision for bad debts in the current year amounted to RMB23,583,003, the amount of bad debt provision for recovering single provision is RMB1,195,671, and the corresponding book balance is RMB1,195,671, which is the account receivable from Haikou Nanqing (Note 16(2)(d)(i)).

(e) As at 31 December 2020, the Company has no pledge of accounts receivable (31 December 2019: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Financing receivables

	31 December 2020	31 December 2019
Bank acceptance notes	<u>286,445,752</u>	<u>451,458,292</u>

- (a) The Company endorses or discounts part of the bank acceptance notes for its daily fund management purpose and meet the conditions for derecognition. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. As at 31 December 2020, the company measures the provision for bad debts based on the expected credit loss for lifetime. The Company believes that its bank acceptance notes do not expose to significant credit risk and will not cause significant losses by bank default.
- (b) As at 31 December 2020 and 31 December 2019, the Company had no pledged acceptance notes.
- (c) As at 31 December 2020, the bank acceptance notes that the Company has endorsed but have not yet expired amounted to RMB376,019,445 and has derecognized(31 December 2019: RMB576,700,923).

(4) Other receivables

	31 December 2020	31 December 2019
Provide entrusted loans to subsidiaries	340,354,337	430,385,271
Receivables from Red Star Logistics	137,192,700	—
Dividend receivable	130,638,717	—
Collection and payment of railway freight	38,522,191	—
Construction expenditures paid on behalf of subsidiaries	29,999,957	29,999,957
Deposits and guarantees	10,849,395	3,511,945
Receivable rental fees	271,894	13,285,491
Port construction fees receivable	—	57,149,733
Interest receivable	—	32,346,874
Others	<u>16,592,404</u>	<u>19,766,071</u>
	704,421,595	586,445,342
Less: Provision for bad debts	<u>(3,526,614)</u>	<u>(4,581,427)</u>
	<u>700,894,981</u>	<u>581,863,915</u>

NOTES TO THE FINANCIAL STATEMENTS

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(a) The age of other receivables is as follows:

	31 December 2020	31 December 2019
Within 1 year	671,460,767	550,663,121
1 to 2 years	2,173,644	34,875,762
2 to 3 years	29,999,957	774,945
Over 3 years	787,227	131,514
	<u>704,421,595</u>	<u>586,445,342</u>

(b) Loss provisions and the movement in the carrying balance

	Stage 1	
	ECL over the next 12 months (Group)	
	Amount	Provision for bad debts
31 December 2019	586,445,342	(4,581,427)
Increase/reverse in the current year	<u>117,976,253</u>	<u>1,054,813</u>
31 December 2020	<u>704,421,595</u>	<u>(3,526,614)</u>

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables for the provision of bad debts. The provision for bad debts for other receivables in the first stage are as follows:

	31 December 2020			31 December 2019		
	Amount	Provision for bad debts		Amount	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group A	628,036,963	—	—	474,915,144	—	—
Group C	<u>76,384,632</u>	<u>(3,526,614)</u>	4.62%	<u>111,530,198</u>	<u>(4,581,427)</u>	4.11%
	<u>704,421,595</u>	<u>(3,526,614)</u>		<u>586,445,342</u>	<u>(4,581,427)</u>	

- (c) For the year ended 31 December 2020, the amount of bad debt provision reversed during the year was RMB1,054,813, which was reversed for the amount of bad debt provision made on the grouping basis. For the year ended 31 December 2020, the Company has no other receivables actually written off.

NOTES TO THE FINANCIAL STATEMENTS

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(d) As at 31 December 2020, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Mercuria Logistics	Entrusted loans, interest receivables and construction expenditures paid on behalf of others	210,254,715	Within 2 years	29.85%	—
Red Star Logistics	Entrusted loans and interest receivables	137,192,700	Within 1 year	19.48%	—
Qingdao Port Power Supply	Entrusted loans and interest receivables	90,012,659	Within 1 year	12.78%	—
Datang Port	Entrusted loans and interest receivable	40,057,140	Within 1 year	5.69%	—
Jinan Railway Fund Clearing House	Collection and payment of railway freight	34,593,021	Within 1 year	4.91%	(1,698,808)
		<u>512,110,235</u>		<u>72.71%</u>	<u>(1,698,808)</u>

(e) As at 31 December 2020 and 31 December 2019, the Company did not have government grants recognized in accordance with the amount receivable.

(f) As at 31 December 2020 and 31 December 2019, other receivables were not pledged by the Company.

(5) Long-term receivables

	31 December 2020	31 December 2019
Loans provided to subsidiaries	2,536,352,280	2,266,179,235
Loans provided to other related parties	—	222,322,208
Less: Overdue within one year	<u>(433,352,280)</u>	<u>(630,501,443)</u>
	<u>2,103,000,000</u>	<u>1,858,000,000</u>
Provision for loan impairment	—	(5,865,889)
Less: Current portion of provision for loan impairment	<u>—</u>	<u>5,865,889</u>
	<u>—</u>	<u>—</u>
	<u>2,103,000,000</u>	<u>1,858,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Long-term receivables (Continued)

(a) Loss provisions and the movement in the carrying balance

	Stage 1	
	ECL over the next 12 months	
	Amount	Provision for bad debt
31 December 2019	2,488,501,443	(5,865,889)
Increase/reverse in the current year	47,850,837	5,865,889
31 December 2020	2,536,352,280	—

As at 31 December 2020 and 2019, the analysis of bad debt provision for long-term receivables in the first stage is as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group A	2,536,352,280	—	—	2,266,179,235	—	—
Group B	—	—	—	222,322,208	(5,865,889)	2.64%
	2,536,352,280	—		2,488,501,443	(5,865,889)	

(6) Long-term equity investments

	31 December 2020	31 December 2019
Subsidiaries (a)	5,232,333,590	4,361,956,253
Joint ventures (b)	9,827,750,536	9,525,980,561
Associates (c)	114,974,004	103,584,420
	15,175,058,130	13,991,521,234

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For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2019	Movements in the current year		31 December 2020	Profit declared in the current year
		Increase in investment	Decrease in investment		
Yongli Insurance	7,866,558	—	(7,866,558)	—	—
QDP Logistics	257,374,925	—	—	257,374,925	500,000,000
GLS Shipping	23,580,830	—	—	23,580,830	—
Ocean Shipping Repair	3,666,959	—	—	3,666,959	623,027
Qingdao Port Engineering	114,455,552	—	—	114,455,552	130,000,000
Ocean Shipping Tally	389,296,880	—	—	389,296,880	96,866,481
Gangjia Logistics	7,299,874	—	—	7,299,874	5,100,000
Port Service	7,952,229	—	—	7,952,229	—
Datang Port	179,109,502	—	—	179,109,502	—
Qingdao Finance	700,000,000	—	—	700,000,000	—
Mercuria Logistics	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	5,000,000	3,000,000	—	8,000,000	15,650,000
Culture Media	3,000,000	—	—	3,000,000	82,195
International Development	40,307,042	420,267,050	—	460,574,092	—
Tongbao Shipping	20,000,000	—	—	20,000,000	2,996,894
DMT	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	441,660,000	—	—	441,660,000	115,047,022
Technology Company	20,000,000	—	—	20,000,000	60,279,796
Svitzer Towage	115,500,000	—	—	115,500,000	7,571,990
Tongze Trading	10,000,000	—	—	10,000,000	9,353,378
Bonded Logistics Centre	25,458,868	—	—	25,458,868	—
Liquid Chemical Terminal	384,149,458	—	—	384,149,458	—
Tongan Security	1,000,000	—	—	1,000,000	6,696,330
Qingdong pipe	255,000,000	—	—	255,000,000	—
Tongda Oil & Gas	50,000,000	15,950,000	—	65,950,000	—
Tongan Environmental Protection	2,000,000	—	—	2,000,000	—
Qingzi Logistics	200,000,000	—	—	200,000,000	—
Zhenhua Petroleum Storage	148,920,000	—	—	148,920,000	—
Qilu Fuhai Warehouse	—	150,000,000	—	150,000,000	—
International oil port	—	20,000,000	—	20,000,000	—
Production guarantee	—	15,300,000	—	15,300,000	—
Power supply company	—	74,195,060	—	74,195,060	—
Red Star Logistics	—	179,531,785	—	179,531,785	—
	<u>4,361,956,253</u>	<u>878,243,895</u>	<u>(7,866,558)</u>	<u>5,232,333,590</u>	<u>950,267,113</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(b) Joint ventures

	31 December 2019	Increase in investment	Movements in the current year				31 December 2020
			Share of net profit/(loss) under equity method	Cash dividends/ profit declared	Other equity changes	Unrealized profits and losses	
QQCT	5,645,294,249	—	838,580,904	(817,783,089)	(8,074,350)	(4,204,558)	5,653,813,156
Qingdao Shihua	1,584,298,861	—	339,455,354	—	—	200,472	1,923,954,687
West United	503,451,655	—	32,190,471	(10,200,000)	—	75,128	525,517,254
Qingwei Container	161,282,377	—	22,428,589	—	—	(740,297)	182,970,669
Evergreen Container	65,707,547	—	17,507,063	(15,538,606)	395,278	—	68,071,282
Orient Container	50,729,917	—	5,657,884	(4,647,191)	—	—	51,740,610
Haiwan Liquid Chemical	155,490,834	—	308,567	—	—	—	155,799,401
Ganghai Logistics	102,372,863	—	1,016,127	(39,078,111)	—	—	64,310,879
Shenzhouxing Cargo Agency	46,795,633	—	10,060,066	(13,750,947)	—	—	43,104,752
China Shipping Agency	11,862,543	—	677,421	—	—	—	12,539,964
United Shipping Agency	56,137,624	—	1,860,512	(1,597,315)	—	—	56,400,821
Huaneng Qingdao	127,951,921	—	(10,974,699)	—	—	—	116,977,222
Dongjiakou IMC Logistics	95,371,200	—	12,020,456	(39,516,729)	—	—	67,874,927
QDOT	708,853,767	—	(8,806,452)	—	—	(735,731)	699,311,584
Dongjiakou Sinotrans Logistics	51,508,035	—	406,909	—	—	—	51,914,944
Binzhou Port QDP International Terminal	12,183,331	—	8,669,305	(14,062,612)	—	—	6,790,024
PetroChina Storage	146,688,204	—	(29,844)	—	—	—	146,658,360
	<u>9,525,980,561</u>	<u>—</u>	<u>1,271,028,633</u>	<u>(956,174,600)</u>	<u>(7,679,072)</u>	<u>(5,404,986)</u>	<u>9,827,750,536</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(c) Associates

		Movements for the current year			
	31 December 2019	Reduce investment	Share of net profit/(loss) under equity method	Cash dividends/ Profit declared	31 December 2020
Qingyin Financial Leasing	103,584,420	—	10,899,584	—	114,484,004
Ganghua Logistics	—	490,000	—	—	490,000
	<u>103,584,420</u>	<u>490,000</u>	<u>10,899,584</u>	<u>—</u>	<u>114,974,004</u>

As stated in Note 2(1), at preparation of the Company's financial statements, long-term equity investments of Qingdao Port Group that were contributed into the Company are recognized into the Company's balance sheet based on the appraisal values approved by the competent state-owned management authorities.

- (d) As at 31 December 2020 and 31 December 2019, the management of the Group considered that there is no indication that the long-term equity investments may be impaired, therefore no provision for decline in the value of inventories is recorded.

(7) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2019	270,937,410	1,491,363,206	1,762,300,616
Transfer from intangible assets	—	(69,103,275)	(69,103,275)
Transfer from fixed assets	(3,304,353)	—	(3,304,353)
31 December 2020	<u>267,633,057</u>	<u>1,422,259,931</u>	<u>1,689,892,988</u>
Accumulated depreciation			
31 December 2019	(63,822,835)	(209,384,212)	(273,207,047)
Increase in the current year	(10,624,024)	(34,025,764)	(44,649,788)
Transfer to intangible assets	—	3,952,989	3,952,989
Transfer to fixed assets	929,996	—	929,996
31 December 2020	<u>(73,516,863)</u>	<u>(239,456,987)</u>	<u>(312,973,850)</u>
Net book value			
31 December 2020	<u>194,116,194</u>	<u>1,182,802,944</u>	<u>1,376,919,138</u>
31 December 2019	<u>207,114,575</u>	<u>1,281,978,994</u>	<u>1,489,093,569</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(7) Investment properties (Continued)

	Buildings	Land use rights	Total
Cost			
31 December 2018	264,377,063	1,290,591,224	1,554,968,287
Transfer from fixed assets	6,560,347	—	6,560,347
Transfer from intangible assets	—	200,771,982	200,771,982
	<u>270,937,410</u>	<u>1,491,363,206</u>	<u>1,762,300,616</u>
31 December 2019	270,937,410	1,491,363,206	1,762,300,616
Accumulated depreciation			
31 December 2018	(52,751,262)	(158,441,090)	(211,192,352)
Increase in the current year	(10,566,968)	(35,543,163)	(46,110,131)
Transfer from fixed assets	(504,605)	—	(504,605)
Transfer from intangible assets	—	(15,399,959)	(15,399,959)
	<u>(63,822,835)</u>	<u>(209,384,212)</u>	<u>(273,207,047)</u>
31 December 2019	(63,822,835)	(209,384,212)	(273,207,047)
Net book value			
31 December 2019	<u>207,114,575</u>	<u>1,281,978,994</u>	<u>1,489,093,569</u>
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>

As at 31 December 2020 and 31 December 2019, the management of the Company considered that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded.

For the year ended 31 December 2020 and 31 December 2019, no capitalized borrowing cost was recognized in investment properties.

As at 31 December 2020, no investment properties are without certificates and as at 31 December 2019, the net book value of RMB6,055,742 and cost of RMB6,560,347 are without certificates due to the mismatch of land and properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office equipment and others	Total
Cost										
31 December 2019	376,827,186	5,685,667,072	2,179,068,612	990,477,365	279,014,941	833,865,549	57,637,088	99,837,171	23,474,212	10,525,869,196
Increase in the current year										
Purchase in the current year	1,249,671	45,579	—	31,620,319	17,007,612	—	10,940,803	8,664,709	1,288,836	70,817,529
Transfers from construction in progress	1,568,588	123,632,778	74,768,672	2,441,223	24,695,362	—	—	1,813,706	—	228,920,329
Transfer from right-of-use assets	—	—	—	5,881,422	—	—	—	—	—	5,881,422
Transfer from investment properties	3,304,353	—	—	—	—	—	—	—	—	3,304,353
Decrease in the current year										
Disposal and scrapping	—	(8,291,634)	—	(19,402,959)	(75,019,339)	(4,458,147)	(7,274,028)	(1,710,310)	(1,877,595)	(118,034,012)
31 December 2020	382,949,798	5,801,053,795	2,253,837,284	1,011,017,370	245,698,576	829,407,402	61,303,863	108,605,276	22,885,453	10,716,758,817
Accumulated depreciation										
31 December 2019	(68,020,929)	(935,412,509)	(357,970,811)	(757,575,088)	(144,310,495)	(325,266,792)	(36,480,043)	(58,131,889)	(15,919,468)	(2,699,088,024)
Increase in the current year										
Provision	(15,691,721)	(154,600,140)	(66,868,770)	(56,300,421)	(30,126,148)	(51,282,291)	(4,897,973)	(9,408,830)	(1,467,928)	(390,644,222)
Transfer from right-of-use assets	—	—	—	(1,364,490)	—	—	—	—	—	(1,364,490)
Transfer from investment properties	(929,996)	—	—	—	—	—	—	—	—	(929,996)
Decrease in the current year										
Disposal and scrapping	—	3,251,942	—	18,319,337	29,689,433	4,235,240	3,537,396	1,462,985	1,231,732	61,728,065
31 December 2020	(84,642,646)	(1,086,760,707)	(424,839,581)	(796,920,662)	(144,747,210)	(372,313,843)	(37,840,620)	(66,077,734)	(16,155,664)	(3,030,298,667)
Net book value										
31 December 2020	298,307,152	4,714,293,088	1,828,997,703	214,096,708	100,951,366	457,093,559	23,463,243	42,527,542	6,729,789	7,686,460,150
31 December 2019	308,806,257	4,750,254,563	1,821,097,801	232,902,277	134,704,446	508,598,757	21,157,045	41,705,282	7,554,744	7,826,781,172

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets (Continued)

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office equipment and others	Total
Cost										
31 December 2018	268,011,857	5,680,411,240	2,179,068,612	924,020,223	272,801,657	831,437,948	53,914,877	93,064,659	21,833,832	10,324,564,905
Increase in the current year										
Transfers from construction in progress	115,375,676	4,018,044	—	37,663,919	1,644,463	2,427,601	—	1,561,791	—	162,691,494
Purchase in the current year	—	1,292,306	—	31,841,350	7,373,706	—	5,546,305	6,834,268	1,947,786	54,835,721
Transfer from right-of-use assets	—	—	—	1,910,949	—	—	—	—	—	1,910,949
Decrease in the current year										
Disposal and scrapping	—	(54,518)	—	(4,959,076)	(2,804,885)	—	(1,824,094)	(1,623,547)	(307,406)	(11,573,526)
Transfer to investment properties	(6,560,347)	—	—	—	—	—	—	—	—	(6,560,347)
31 December 2019	376,827,186	5,685,667,072	2,179,068,612	990,477,365	279,014,941	833,865,549	57,637,088	99,837,171	23,474,212	10,525,869,196
Accumulated depreciation										
31 December 2018	(56,604,998)	(781,027,079)	(291,126,943)	(681,107,921)	(119,625,311)	(274,027,870)	(33,857,522)	(45,851,745)	(14,701,545)	(2,297,930,934)
Increase in the current year										
Provision	(11,920,536)	(154,401,472)	(66,843,868)	(81,145,228)	(27,347,708)	(51,238,922)	(4,126,115)	(13,063,542)	(1,486,969)	(411,574,360)
Transfer from right-of-use assets	—	—	—	(42,041)	—	—	—	—	—	(42,041)
Decrease in the current year										
Disposal and scrapping	—	16,042	—	4,720,102	2,662,524	—	1,503,594	783,398	269,046	9,954,706
Transfer to investment properties	504,605	—	—	—	—	—	—	—	—	504,605
31 December 2019	(68,020,929)	(935,412,509)	(357,970,811)	(757,575,088)	(144,310,495)	(325,266,792)	(36,480,043)	(58,131,889)	(15,919,468)	(2,699,088,024)
Net book value										
31 December 2019	308,806,257	4,750,254,563	1,821,097,801	232,902,277	134,704,446	508,598,757	21,157,045	41,705,282	7,554,744	7,826,781,172
31 December 2018	211,406,859	4,899,384,161	1,887,941,669	242,912,302	153,176,346	557,410,078	20,057,355	47,212,914	7,132,287	8,026,633,971

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets (Continued)

As at 31 December 2020 and 31 December 2019, the Company had no fixed assets which were mortgaged.

For the year ended 31 December 2020, the amounts of depreciation expenses were RMB390,644,222 (For the year ended 31 December 2019: RMB411,574,360) including charged to cost of sales and general and administrative expenses were RMB373,720,600 and RMB16,923,622 respectively (For the year ended 31 December 2019: RMB394,911,900 and RMB16,662,460).

For the year ended 31 December 2020, the costs of fixed assets transferred from construction in progress amount to RMB245,649,087 (For the year ended 31 December 2019: RMB162,691,494).

As at 31 December 2020 and 31 December 2019, the Company considered that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required.

As at 31 December 2020, properties with book values of RMB109,345,028 (Cost: RMB112,941,246) (as at 31 December 2019: RMB111,697,425 (Cost: RMB111,697,425)), were located on non-ownership land and had not yet completed the financial accounts for the completion of the project. The property right certificate had not been obtained.

(9) Construction in progress

	31 December 2020			31 December 2019		
	carrying amount	impairment provision	Net book value	carrying amount	impairment provision	Net book value
Dongjiakou Crude Oil Commercial Reserve Project	1,060,900,260	—	1,060,900,260	255,650,833	—	255,650,833
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	506,446,562	—	506,446,562	506,446,562	—	506,446,562
Dongjiakou bulk cargo berths and storage yard project	331,683,102	—	331,683,102	483,119,729	—	483,119,729
Other projects	146,748,504	—	146,748,504	88,636,368	—	88,636,368
	<u>2,045,778,428</u>	<u>—</u>	<u>2,045,778,428</u>	<u>1,333,853,492</u>	<u>—</u>	<u>1,333,853,492</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(9) Construction in progress (Continued)

(a) Changes of major projects

Project name	Budget	31 December 2019	Increase in the current year	Transfer to fixed assets	31 December 2020	% of project investment among budget	Progress of the project	Sources of capital
Dongjiakou crude oil commercial reserve project	4,480,000,000	255,650,833	809,092,675	(3,843,248)	1,060,900,260	24%	24%	Internal capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	506,446,562	—	—	506,446,562	32%	32%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,290,066,000	483,119,729	25,162,094	(176,598,721)	331,683,102	68%	68%	Internal capital
Other projects		88,636,368	106,590,496	(48,478,360)	146,748,504			Internal capital
		<u>1,333,853,492</u>	<u>940,845,265</u>	<u>(228,920,329)</u>	<u>2,045,778,428</u>			

Project name	Budget	31 December 2018	Increase in the current year	Transfer to fixed assets	Other decrease	31 December 2019	% of project investment among budget	Progress of the project	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	479,440,622	27,005,940	—	—	506,446,562	32%	32%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,376,490,000	641,819,662	38,375,193	(111,697,426)	(85,377,700)	483,119,729	67%	67%	Internal capital
Dongjiakou crude oil commercial reserve project	1,238,725,000	—	255,650,833	—	—	255,650,833	21%	21%	Internal capital
Other projects		95,095,116	44,535,320	(50,994,068)	—	88,636,368			Internal capital
		<u>1,216,355,400</u>	<u>365,567,286</u>	<u>(162,691,494)</u>	<u>(85,377,700)</u>	<u>1,333,853,492</u>			

As at 31 December 2020 and 31 December 2019, the management of the Company considered that there is no indication that the Construction in progress may be impaired, therefore no provision for impairment is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2019	2,224,810,857	72,234,217	1,362,580	32,269,286	2,330,676,940
Increase in the current year					
Purchase	—	5,247,668	—	—	5,247,668
Internal research and development	—	38,859,576	—	—	38,859,576
Transfer from investment properties	69,103,275	—	—	—	69,103,275
31 December 2020	2,293,914,132	116,341,461	1,362,580	32,269,286	2,443,887,459
Accumulated amortization					
31 December 2019	(205,459,540)	(31,535,963)	(163,514)	(20,366,682)	(257,525,699)
Increase in the current year					
Provision	(47,491,879)	(13,425,554)	(27,252)	(3,006,250)	(63,950,935)
Transfer from investment properties	(3,952,989)	—	—	—	(3,952,989)
31 December 2020	(256,904,408)	(44,961,517)	(190,766)	(23,372,932)	(325,429,623)
Net book value					
31 December 2020	2,037,009,724	71,379,944	1,171,814	8,896,354	2,118,457,836
31 December 2019	2,019,351,317	40,698,254	1,199,066	11,902,604	2,073,151,241

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Intangible assets (Continued)

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2018	2,283,777,850	58,441,596	1,362,580	32,269,286	2,375,851,312
Increase in the current year					
Purchase	141,804,989	4,240,533	—	—	146,045,522
Internal research and development	—	9,552,088	—	—	9,552,088
Decrease in the current year					
Transfer into investment properties	(200,771,982)	—	—	—	(200,771,982)
31 December 2019	2,224,810,857	72,234,217	1,362,580	32,269,286	2,330,676,940
Accumulated amortization					
31 December 2018	(177,033,591)	(21,218,346)	(136,262)	(17,360,432)	(215,748,631)
Increase in the current year					
Provision	(43,825,908)	(10,317,617)	(27,252)	(3,006,250)	(57,177,027)
Decrease in the current year					
Transfer into investment properties	15,399,959	—	—	—	15,399,959
31 December 2019	(205,459,540)	(31,535,963)	(163,514)	(20,366,682)	(257,525,699)
Net book value					
31 December 2019	2,019,351,317	40,698,254	1,199,066	11,902,604	2,073,151,241
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681

For the year ended 31 December 2020, the amortization of intangible assets amounted to RMB63,950,935 (For the year ended 31 December 2019: RMB57,177,027).

As at 31 December 2020 and 31 December 2019, the Company had no intangible assets which were mortgaged.

As at 31 December 2020 and 31 December 2019, the management of the Company considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Intangible assets (Continued)

The Company's development expenses are as follows:

	31 December 2019	Increase in the current year	Decrease in the current year		31 December 2020
			Recorded in profit and loss	Recognized as intangible assets	
Information system maintenance and software	—	43,072,746	(4,213,170)	(38,859,576)	—
Patented technology	—	3,618,918	(3,618,918)	—	—
	—	46,691,664	(7,832,088)	(38,859,576)	—

For the year ended 31 December 2020, the Company's research and development expenses totaled RMB46,691,664 (For the year ended 31 December 2019: RMB24,735,695), of which RMB7,832,088 (For the year ended 31 December 2019: RMB15,183,607) was recorded in profit and loss for the current year and RMB38,859,576 (For the year ended 31 December 2019: RMB9,552,088) was recognized as intangible assets for the current year. As at 31 December 2020, the intangible assets developed by the Company accounted for 2.97 % (31 December 2019: the intangible assets developed by the Company accounted for 1.77 %) of the book value of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(11) Provision for asset impairment

	31 December 2019	Changes in accounting policies	1 January 2020	Increase in the current year	Decrease in the current year		31 December 2020
					Reversal	Write-off	
Provision for bad debts of notes receivable	965,350	—	965,350	—	(955,132)	—	10,218
Including: Provision for bad debts on the individual basis	—	—	—	—	—	—	—
Provision for bad debts on the grouping basis	965,350	—	965,350	—	(955,132)	—	10,218
Provision for bad debts of accounts receivable	52,250,286	—	52,250,286	23,583,003	(1,195,671)	—	74,637,618
Including: Provision for bad debts on the individual basis	1,195,671	—	1,195,671	—	(1,195,671)	—	—
Provision for bad debts on the grouping basis	51,054,615	—	51,054,615	23,583,003	—	—	74,637,618
Provision for bad debts of other receivables	4,581,427	—	4,581,427	—	(1,054,813)	—	3,526,614
Including: Provision for bad debts on the individual basis	—	—	—	—	—	—	—
Provision for bad debts on the grouping basis	4,581,427	—	4,581,427	—	(1,054,813)	—	3,526,614
Provision for bad debts of contract assets	4,261,057	(4,261,057)	—	—	—	—	—
Provision for bad debts of long-term receivables	5,865,889	—	5,865,889	—	(5,865,889)	—	—
	67,924,009	(4,261,057)	63,662,952	23,583,003	(9,071,505)	—	78,174,450
Provision for impairment of contract assets	—	4,261,057	4,261,057	—	(2,868,422)	—	1,392,635
Subtotal	—	4,261,057	4,261,057	—	(2,868,422)	—	1,392,635
	67,924,009	—	67,924,009	23,583,003	(11,939,927)	—	79,567,085

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Capital surplus

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium (Note 4(39)) –				
Capital premium contributed				
by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Issue of new shares	8,652,856,972	—	—	8,652,856,972
Shares issue expenses	(242,175,098)	—	—	(242,175,098)
Business combination involving				
enterprises under common				
control	(31,531,719)	—	—	(31,531,719)
Subsidiary minority				
shareholders paid a premium	15,245,576	—	—	15,245,576
Other capital surplus –				
Share of changes in equity				
other than comprehensive				
income and profit				
distribution of investees				
under the equity method	24,888,823	(7,679,072)	—	17,209,751
	<u>16,255,150,636</u>	<u>(7,679,072)</u>	<u>—</u>	<u>16,247,471,564</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Capital surplus (Continued)

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium (Note 4(39)) –				
Capital premium contributed				
by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Issue of new shares	7,012,559,612	1,640,297,360	—	8,652,856,972
Shares issue expenses	(126,431,506)	(115,743,592)	—	(242,175,098)
Business combination involving				
enterprises under common				
control	(31,531,719)	—	—	(31,531,719)
Subsidiary minority				
shareholders paid a premium	—	15,245,576	—	15,245,576
Other capital surplus –				
Share of changes in equity				
other than comprehensive				
income and profit				
distribution of investees				
under the equity method	16,303,999	8,584,824	—	24,888,823
	<u>14,706,766,468</u>	<u>1,548,384,168</u>	<u>—</u>	<u>16,255,150,636</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(13) Other comprehensive income

	Other comprehensive income in balance sheet		
	Year ended 31 December 2019	Amount in the current year	Year ended 31 December 2020
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations	191,510,000	99,720,000	291,230,000

	Other comprehensive income in balance sheet		
	Year ended 31 December 2018	Amount in the current year	Year ended 31 December 2019
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations	137,710,000	53,800,000	191,510,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(14) Undistributed profits

	Year ended 31 December 2020	Year ended 31 December 2019
Undistributed profits at the beginning of year	6,637,295,439	6,479,324,825
Add: Net profit for the current year	3,388,142,006	2,914,045,871
Less: Appropriation of statutory surplus reserve	(338,814,201)	(291,404,587)
Profit distribution to shareholders (Note 4(43))	<u>(1,300,167,330)</u>	<u>(2,464,670,670)</u>
Undistributed profits at the end of the year	<u>8,386,455,914</u>	<u>6,637,295,439</u>

(15) Revenue and cost of sales

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from main operations	5,271,805,463	4,666,342,846
Revenue from other operations	<u>1,183,648,077</u>	<u>1,112,695,019</u>
	<u>6,455,453,540</u>	<u>5,779,037,865</u>
	Year ended 31 December 2020	Year ended 31 December 2019
Cost of sales from main operations	(3,922,039,776)	(3,355,477,191)
Cost of sales from other operations	<u>(775,952,176)</u>	<u>(788,752,057)</u>
	<u>(4,697,991,952)</u>	<u>(4,144,229,248)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(15) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	<u>Year ended 31 December 2020</u>		<u>Year ended 31 December 2019</u>	
	<u>Revenue from</u>	<u>Cost of sales</u>	<u>Revenue from</u>	<u>Cost of sales</u>
	<u>main operations</u>	<u>from main</u>	<u>main operations</u>	<u>from main</u>
		<u>operations</u>		<u>operations</u>
Container handling and ancillary services	202,090,125	(75,077,840)	213,996,475	(51,365,270)
Metal ore, coal and other cargo handling and ancillary services	3,239,610,103	(2,650,420,197)	2,652,977,133	(2,106,332,552)
Liquid bulk cargo handling and ancillary services	212,908,528	(15,321,777)	219,611,670	(15,623,336)
Logistics and port value-added services	698,276,007	(378,332,539)	662,613,636	(369,541,970)
Port ancillary services – construction, labor and sales of port machinery	918,920,700	(802,887,423)	917,143,932	(812,614,063)
	<u>5,271,805,463</u>	<u>(3,922,039,776)</u>	<u>4,666,342,846</u>	<u>(3,355,477,191)</u>

(b) Revenue and cost of sales from other operations

	<u>Year ended 31 December 2020</u>		<u>Year ended 31 December 2019</u>	
	<u>Revenue from</u>	<u>Cost of sales</u>	<u>Revenue from</u>	<u>Cost of sales</u>
	<u>other operations</u>	<u>from other</u>	<u>other operations</u>	<u>from other</u>
		<u>operations</u>		<u>operations</u>
Rental income	301,790,110	(147,721,913)	342,238,907	(160,434,760)
Port ancillary service – sales of fuel, electricity and others	881,857,967	(628,230,263)	770,456,112	(628,317,297)
	<u>1,183,648,077</u>	<u>(775,952,176)</u>	<u>1,112,695,019</u>	<u>(788,752,057)</u>

For the year ended 31 December 2020, among the above revenue categories, except for contract obligations of services like sales of fuel, electricity and others are satisfied at a point in time, and the remaining are satisfied over-time.

As at 31 December 2020, the Company's contracted but unfulfilled or unfulfilled performance obligations correspond to revenues of RMB457,203,109 (31 December 2019: RMB379,598,729), of which the Company expects all will be recognized in 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(16) Financial expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Interest costs	99,737,117	103,125,854
Add: Interest expenses on lease liabilities	4,402,220	6,456,759
Interest expenses	104,139,337	109,582,613
Less: Interest income	(45,371,777)	(269,494,788)
Effect of actuarial calculation of employee benefits	74,670,000	77,460,000
Exchange gains or losses	25,628,449	(10,728,389)
Others	360,041	678,393
	<u>159,426,050</u>	<u>(92,502,171)</u>

(17) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are categorized by nature as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefits	1,244,185,749	1,302,109,283
Cost for outsourcing transportation	1,149,121,347	546,752,660
Subcontract cost	502,907,616	459,312,391
Procurement cost of fuel and utility fees	413,840,242	412,018,179
Consumption of other raw materials	396,828,400	312,448,985
Depreciation of fixed assets	390,644,222	411,574,360
Consumption of raw materials in construction contract	294,957,137	454,237,334
Cost of sales for fuel and electricity	180,758,486	200,175,756
Repair expenses	114,044,750	93,960,101
Rental expenses (i)	97,609,141	94,573,141
Amortization of intangible assets	63,950,935	57,177,027
Depreciation of investment property	44,649,788	46,110,131
Consulting fee	11,769,607	11,058,018
Depreciation of right-of-use assets	7,815,290	7,909,418
Auditor's fee	6,514,151	6,150,943
Others	87,420,345	73,941,507
	<u>5,007,017,206</u>	<u>4,489,509,234</u>

- (i) As stated in Note 2(25), lease expense incurred by short-term lease and low-value lease is recorded in current profit or loss. For the year ended 31 December 2020, the amount is RMB97,609,141.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(18) Investment income

	Year ended 31 December 2020	Year ended 31 December 2019
Investment income from long-term equity investment under equity method	1,276,523,231	1,377,429,564
Cash dividends declared and distributed by the investee calculated pursuant to the cost method	950,267,113	478,941,337
Interest income from holding of debt investments	121,781,787	125,946,190
Investment income from financial asset held for trading	117,040,606	11,272,600
Investment income/(losses) from disposal of long-term equity investments	46,609,272	(9,440,928)
Discount loss on financing of receivables	(1,273,168)	(3,523,164)
	<u>2,510,948,841</u>	<u>1,980,625,599</u>

(19) Income expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax calculated based on tax law and related regulations	389,514,118	390,706,971
Deferred income tax	(3,636,436)	(175,443)
	<u>385,877,682</u>	<u>390,531,528</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	Year ended 31 December 2020	Year ended 31 December 2019
Total profit	<u>3,774,019,688</u>	<u>3,304,577,399</u>
Income tax expenses calculated at applicable tax rates	943,504,922	826,144,350
Investment income not subject to tax	(556,697,586)	(464,092,725)
Non-taxable income	(24,316,595)	—
Additional deduction of employee benefits of the disabled	(1,220,422)	(1,345,137)
Costs, expenses and losses not deductible for tax purposes	<u>24,607,363</u>	<u>29,825,040</u>
Income tax expenses	<u>385,877,682</u>	<u>390,531,528</u>

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB Yuan unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

All amounts in RMB Yuan	Year ended 31 December 2020	Year ended 31 December 2019
Interest income from external entrusted loans of other entities other than Qingdao Finance	1,906,722	11,500,317
Government grants recognized in profit or loss for the current year	88,935,845	125,271,980
Gains and losses from changes in fair value of financial assets held for trading	2,195,578	8,996,486
Net income from disposal of non-current assets	17,725,923	3,453,170
Reversal of provision for impairment of accounts receivable that has been separately tested for impairment	1,320,814	—
Gains/(losses) on disposal of long-term equity investment	47,232,463	(227,809)
Net amount of other non-operating income and expenses	3,639,485	10,377,559
Other non-operating income and expenditure net items such as profit or loss that meet the definition of non-recurring profit and loss	16,658,238	17,283,595
Subtotal	179,615,068	176,655,298
Less: Income tax effect	(40,739,207)	(44,163,824)
Less: Non-recurring gains and losses attributable to minority shareholders	(10,468,310)	(9,141,781)
Non-recurring gains and losses attributable to shareholders of the parent company	128,407,551	123,349,693

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the company's normal course of business or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RETURN ON EQUITY AND EPS

	Weighted average return on equity (%)		EPS			
			Basic EPS		Diluted EPS	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Net profit attributable to ordinary shareholders of the company	12.17%	12.94%	0.59	0.59	0.59	0.59
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	11.76%	12.52%	0.57	0.57	0.57	0.57



青島港國際股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.*