



山东港口
SHANDONG PORT GROUP

青岛港国际股份有限公司
QINGDAO PORT INTERNATIONAL CO.,LTD.

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

Stock Code: 06198.HK 601298.SH

ANNUAL REPORT 2021



CONTENTS

2	DEFINITIONS
11	CORPORATE INFORMATION
13	COMPANY PROFILE
16	2021 MAJOR EVENTS
20	FINANCIAL HIGHLIGHTS
22	CHAIRMAN'S STATEMENT
25	MANAGEMENT DISCUSSION AND ANALYSIS
56	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
67	DIRECTORS' REPORT
85	SUPERVISORS' REPORT
88	CORPORATE GOVERNANCE REPORT
104	AUDITOR'S REPORT
109	CONSOLIDATED AND COMPANY BALANCE SHEET
113	CONSOLIDATED AND COMPANY INCOME STATEMENT
116	CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
120	CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
122	COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
124	NOTES TO THE FINANCIAL STATEMENTS



DEFINITIONS

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

“2021 AGM”	the 2021 annual general meeting of the Company to be held on 28 June 2022
“2022 SDP Financial Services Agreement”	the financial services framework agreement dated 25 January 2022 entered into between the Company and Shandong Port Group in relation to the provision of financial services by Shandong Port Group to the Group
“2022 SDP Goods and Services Agreement”	the goods and services framework agreement dated 25 January 2022 entered into between the Company and Shandong Port Group in relation to, among other things, (i) the purchase of goods and services by the Group from Shandong Port Group; (ii) the sales of goods and services by the Group to Shandong Port Group; (iii) the provision of asset lease services by Shandong Port Group to the Group; and (iv) the provision of asset lease services by the Group to Shandong Port Group
“A share(s)”	share(s) with a nominal value of RMB1.00 each issued by the Company which are listed on the main board of Shanghai Stock Exchange and traded in RMB (stock code: 601298)
“A Share Offering”	the Company’s public offering 454,376,000 A shares, which are listed on the main board of Shanghai Stock Exchange
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“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 refer 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 Corporate Governance Code 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 on 5 February 2016 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 2021, 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 2021, 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
“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, 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 company established in the PRC with limited liability on 8 December 2015 and 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), a company established in the PRC with limited liability on 19 April 2017 and a subsidiary in which Qingdao Port Group holds 78.17% equity interests, 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)

DEFINITIONS

“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
“H share(s)”	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and are traded in HKD
“H Share(s) Placing”	the Company issued the 243,000,000 H shares by way of placing and has been listed on the Hong Kong Stock Exchange
“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 company established in the PRC with limited liability on 26 August 2011 and 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
“Harbour Engineer”	Shandong Harbour Engineering Co., Ltd. (山東港灣建設集團有限公司), a company established in the PRC with limited liability on 30 September 2001 and a holding subsidiary of Rizhao Port Group, in which the Company holds approximately 9.62% equity interests as at the date of this report
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hongxing Logistics”	Qingdao Hongxing Logistics Industry Co., Ltd. (青島紅星物流實業有限責任公司), a company established in the PRC with limited liability on 10 March 2004 and a subsidiary in which the Company holds 90% equity interests, which is mainly engaged in the business of loading and unloading and warehousing services of liquid chemicals
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a company established in the PRC with limited liability on 30 March 2006 and 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

“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a company established in the PRC with limited liability on 23 May 2011 and 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 company established in the PRC with limited liability on 23 May 2011 and 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
“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 stock company established in Hong Kong on 16 March 2018 and a joint venture in which the Company holds 49% equity interests, which is mainly engaged in investment and management of foreign projects and other businesses
“PRC” or “China”	the People’s Republic of China, and for the purpose of this 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 company established in the PRC with limited liability on 9 January 2014 and 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 Financial”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a company established in the PRC with limited liability on 22 July 2014 and a subsidiary jointly established by the Company (holding 70% equity interests) and Qingdao Port Group (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 Qingdao Port Group and its member companies
“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

DEFINITIONS

“Qingdao Lianhai”	Qingdao Port Lianhai International Logistics Co., Ltd. (青島港聯海國際物流有限公司), a company established in the PRC with limited liability on 2 January 2018 and a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of logistics and port value-added services, such as transportation and agency services
“Qingdao Orient”	Qingdao Orient International Container Storage & Transportation Co., Ltd. (青島東港國際集裝箱儲運有限公司), a company established in the PRC with limited liability on 18 November 1997 and a joint venture in which the Company holds 45% equity interests, which is mainly engaged in the business of warehousing, transit shipment, transportation of the container etc.
“Qingdao OST”	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a company established in the PRC with limited liability on 13 September 2008 and 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 Engineering”	Qingdao Port (Group) Engineering Co., Ltd. (青島港(集團)港務工程有限公司), a company established in the PRC with limited liability on 13 May 1992, which is mainly engaged in the business of construction engineering, architectural decoration and engineering design services, as at the date of this report, the Company holds 49% equity interests in Qingdao Port Engineering
“Qingdao Port General Terminal”	Qingdao Port General Terminal Co., Ltd. (青島港通用碼頭有限公司) (formerly known as Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司) and changed the name on 8 June 2021), a company established in the PRC with limited liability on 14 January 2010 and a wholly-owned subsidiary, which is mainly engaged in the business of container handling and ancillary services at Dongjiakou Port Area
“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd. (山東港口青島港集團有限公司), a company established in the PRC with limited liability on 12 August 1988 and the controlling shareholder of the Company, which holds approximately 55.77% 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 Qingdao Port Group and the Commonly Held Entities of Qingdao Port Group (if applicable)
“Qingdao Port Logistics”	Qingdao Port International Logistics Co., Ltd. (青島港國際物流有限公司), a company established in the PRC with limited liability on 2 February 2004 and 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 company established in the PRC with limited liability on 28 June 2020 and a wholly-owned subsidiary of the Company, which is mainly engaged in crude oil warehousing and other businesses
“Qingdao Port Technology”	Shandong Port Technology Group Qingdao Co., Ltd. (山東港口科技集團青島有限公司) (formerly known as Qingdao Port Technology Co., Ltd. (青島港科技有限公司) and changed the name on 16 July 2021), a company established in the PRC with limited liability on 15 December 2014, which is mainly engaged in computer software and hardware development, computer system integration, multimedia technology design and production, computer graphics and animation design, computer engineering and other related businesses, as at the date of this report, the Company holds 49% equity interests of Qingdao Port Technology
“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)
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a company established in the PRC with limited liability on 23 February 2006 and 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 company established in the PRC with limited liability on 31 December 2005 and a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a company established in the PRC with limited liability on 17 May 2020 and 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 company established in the PRC with limited liability on 6 February 2009 and 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 fully 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 company established in the PRC with limited liability on 28 December 2009 and a joint venture in which QQCTN holds 50% equity interests, which is mainly engaged in the business of container handling and ancillary services

DEFINITIONS

“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 company established in the PRC with limited liability on 16 June 2011 and a joint venture in which QQCTU holds 70% equity interests, which is mainly engaged in the business of container handling and ancillary services
“RCEP”	Regional Comprehensive Economic Partnership
“Rio Tinto”	Rio Tinto Group (力拓集團), a company established in Spain and listed on the Australian Stock Exchange, the London Stock Exchange and the New York Stock Exchange with the same stock code of RIO, which is dominated in the exploration, mining and processing of mineral resources
“RZP”	Rizhao Port Co., Ltd.* (日照港股份有限公司), a joint stock company established in the PRC with limited liability on 15 July 2002, A shares of which are listed on the Shanghai Stock Exchange with stock code 600017, which is mainly engaged in bulk cargo handling, storage and transit shipment business
“RZP Financial”	Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司), a company established in the PRC with limited liability on 20 May 2016, which is owned as to 60% equity interests by Rizhao Port Group and 40% equity interests by RZP, respectively, and principally engaged in absorbing deposit of member units, assisting member units to realize the receipt and payment of transaction funds, handling internal transfer and settlement between member units, self-operated loan business, entrusted loan business, letter of guarantee business, electronic bank acceptance bill business, discount business, inter-bank lending and other services
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司), a company established in the PRC with limited liability on 24 February 2004 and a wholly-owned subsidiary of Shandong Port Group
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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), a company established in the PRC with limited liability on 2 August 2019, whose actual controller is the Shandong SASAC, as at the date of this report, holding 100% equity interests in Qingdao Port Group, when references are made to connected transactions, also including its subsidiaries and associates (if applicable)
“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 company established in the PRC with limited liability on 9 December 2015 and a subsidiary in which the Company holds 51% equity interests, which is mainly engaged in the business of liquid bulk handling and ancillary services

“Shandong Port Technology”	Shandong Port Technology Group Co., Ltd. (山東港口科技集團有限公司), a company established in the PRC with limited liability on 18 March 2020 and a non wholly-owned subsidiary of Shandong Port Group as at the date of this report
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Shandong Province* (山東省人民政府國有資產監督管理委員會)
“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 on 18 February 2008 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
“Shanghai Cooperation Demonstration Zone”	China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone
“Shipping Group”	Shandong Port Shipping Group Co., Ltd. (山東港口航運集團有限公司), a company established in the PRC with limited liability on 27 March 2020, in which the Company holds approximately 11.02% equity interests 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
“Tongbao Shipping”	Shandong Port Shipping Tongbao (Qingdao) Container Transportation Co., Ltd. (山港航運通寶(青島)集裝箱運輸有限公司) (formerly known as Qingdao Port Tongbao Shipping Co., Ltd. (青島港通寶航運有限公司) and changed the name on 12 November 2021), a company established in the PRC with limited liability on 29 October 2015 and a wholly-owned subsidiary of Shipping Group, which is mainly engaged in the business of ship transportation, equipment installation and maintenance, Shipping agency, freight management and other related services
“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
“Vale of Brazil”	a company established in Brazil and one of the largest iron ore producers and exporters in the world
“Weihai Port”	Shandong Port Weihai Port Co., Ltd. (山東港口威海港有限公司), a company established in the PRC with limited liability on 7 November 1997 and a wholly-owned subsidiary of Qingdao Port Group

DEFINITIONS

“Weihai Port Development” Shandong Port Weihai Port Development Co., Ltd. (山東威海港發展有限公司), a company established in the PRC with limited liability on 19 December 2001 and a wholly-owned subsidiary of Weihai Port

“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 company established in the PRC with limited liability on 9 June 2010 and 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 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 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. SU Jianguang

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

86-532-82983083

FACSIMILE

86-532-82822878

EMAIL

qggj@qdport.com

WEBSITE

<http://www.qingdao-port.com>

BOARD OF DIRECTORS

(1) Executive Directors

Mr. SU Jianguang (*Chairman*)
Mr. WANG Xinze (*General Manager*)

(2) Non-executive Directors

Mr. LI Wucheng (*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

Ms. SUN Hongmei
Ms. NG Sau Mei

AUTHORISED REPRESENTATIVES

Mr. SU Jianguang
Ms. SUN Hongmei

SPECIAL COMMITTEES OF THE BOARD

(1) Strategy and Development Committee

Mr. SU Jianguang (*Chairman*)
Mr. LI Wucheng
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. LI Wucheng
Ms. LI Yan

(4) Nomination Committee

Mr. JIANG Min (*Chairman*)
Mr. SU Jianguang
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 Industrial and Commercial Co., Ltd.



The Port of Qingdao commenced its operation in 1892 and is one of the largest comprehensive ports in the world. It occupies the 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, crude oil and grain, logistics and port value-added services, port ancillary services and financial services.

As of 31 December 2021, the Group operated 92 berths at the Port of Qingdao, which included 62 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 equipments, services and management, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. The Group possesses world-leading stevedoring efficiency. In 2021, the Group continued ranking first in the world in terms of the berth efficiency of Maersk vessels, the single-machine average operating rate achieved world record with 52.1 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,
Hongxing Logistics

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, Qingdao Port General Terminal and Huaneng Qingdao

Principal cargo types

dry bulk, liquid bulk and break bulk

Number of berths

21

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

2021 MAJOR EVENTS

JAN

In January, at the Port of Qingdao, four RCEP routes of “OBOR” commenced operation, making the Port of Qingdao an important link of golden maritime channel connecting Southeast Asia’s RCEP countries and regions.



FEB



Mercuria Oil Terminal has been approved by the Shanghai International Energy Exchange Co., Ltd., to serve as a designated delivery warehouse for crude oil futures, with an approved storage capacity of 1 million cubic meters and 400,000 cubic meters put into operation initially, which was conducive to enhancing the international market competitiveness of crude oil futures physical delivery business.

MAR

The first refueling at the port of call was put into operation in Qingdao Port, injecting strong impetus into the construction of Qingdao Port as a “Northeast Asia Marine Oil Refueling Center”.



APR

The world-class shipping company Hapag-Lloyd Shipping Company released the latest ranking of the berth efficiency of the global ports of call, and Qingdao Port ranked first in the world. The Group and Hapag-Lloyd Shipping Company jointly established the “Terminal Cooperation Partners Program”, which could take full advantages of analyzing based on big data to solve difficulties in actual operation, forming a standard handling mode to promote terminal service to be more streamlined.



MAY

The Global Container Port Performance Index was released for the first time, and Qingdao Port has become the only port in the world’s 20-million-TEUs container club to be selected as the one of the top three ports in the 2020 Global Container Port Performance Index (CPPI).



JUN

Qingdao Port has completed the world’s first intelligent air-rail collection and distribution system (demonstration section), which has achieved a revolutionary breakthrough and upgrade of port traffic from a single plane to a three-dimensional interconnection, successfully solved major industrial problems in the field of port collection and distribution, and created a new mode of three-dimensional transportation pattern for port.



2021 MAJOR EVENTS

JUL

The phase I project of Qingdao Port Dongjiakou liquid chemical terminal was officially put into operation, including one 50,000-ton and one 20,000-ton liquid chemical berths, with an annual design throughput of 3.536 million tons, which is conducive to enriching the types of liquid bulk cargo in Dongjiakou Port of Qingdao Port and expanding the comprehensive service advantages of the port.



AUG



The single-machine average operating rate of the fully automated terminal of Qingdao Port reached 52.1 units per hour, breaking the world record of automated terminal stevedoring efficiency once again.

The phase II project of Qingdao Port Dongjiakou crude oil terminal and liquid chemical terminal were officially put into operation, including one 300,000-ton and one 100,000-ton oil berths, with an annual design throughput of 25.50 million tons, which drives the Group to form a world-class crude oil terminal operation cluster consisting of terminals in Dongjiakou Port Area and Huangdao Oil Port Area.

SEP

QQCT has set the highest record for the single-vessel stevedoring volume among Chinese ports, with a total of stevedoring volume of 25,233 TEUs by a single vessel at the Port of Qingdao.



OCT

The first oil supply depot area for domestic trade ships in Qingdao Port was officially put into operation, which was conducive to gathering shipping elements and serving the high-quality development of the region.



NOV

Qingdao Port Oil Port successfully opened up a new logistics channel for the “Huangdao-Xi’an” sea-rail intermodal transport, tailored a customized “end-to-end” logistics service solution for our customers, and made every effort to win the “defense battle of liquid bulk cargo”.



DEC

The construction project of the hydrogen refueling station has been launched in the Qianwan port area of Qingdao Port, which is the first demonstration operation project of hydrogen fuel cell for vehicle charging in ports of the country. It will further enhance the green development of the port and accelerate the construction of a green and low-carbon port.



FINANCIAL HIGHLIGHTS

I. REVENUE

Unit: RMB' 000

	2021	2020	2019	2018	2017
Gross profit	5,143,730	4,731,817	3,985,390	3,625,978	3,330,122
Period expenses	811,536	684,707	366,054	362,500	373,174
Investment income	1,427,798	1,550,902	1,492,273	1,455,441	1,171,489
Earnings before interest, tax, depreciation and amortization	7,011,523	6,666,134	6,194,400	5,713,052	4,851,727
Total Profit	5,783,699	5,525,197	5,126,805	4,756,490	3,990,790
Net profit	4,629,820	4,420,360	4,132,602	3,843,526	3,240,363
Including: amounts attributable to shareholders of the Company	<u>3,964,054</u>	<u>3,841,863</u>	<u>3,790,143</u>	<u>3,593,486</u>	<u>3,042,959</u>

II. ASSETS

Unit: RMB' 000

	2021	2020	2019	2018	2017
Total assets	60,575,556	57,177,365	52,785,301	48,765,783	48,053,652
Total liabilities	21,790,930	20,436,633	19,187,939	19,346,259	22,990,996
Including:					
borrowings and bonds payable	1,957,392	2,615,015	2,936,192	4,412,150	4,314,267
Total equity	38,784,626	36,740,732	33,597,362	29,419,524	25,062,656
Including: share capital	6,491,100	6,491,100	6,491,100	6,036,724	6,036,724
Equity attributable to the shareholders of the Company	34,923,280	32,996,392	30,357,381	26,979,659	23,554,663
Equity per share attributable to the shareholders of the Company (RMB/share)	5.38	5.08	4.68	4.47	3.90
Asset-liability ratio	<u>36.0%</u>	<u>35.7%</u>	<u>36.4%</u>	<u>39.7%</u>	<u>47.8%</u>

III. FINANCIAL INDICATORS

	Unit: RMB				
	2021	2020	2019	2018	2017
Earnings per share	0.61	0.59	0.59	0.60	0.55
Dividend payments per 1,000 shares	256.40	262.20	200.30	379.70 (Note)	
Return on total assets	7.86%	8.04%	8.14%	7.94%	7.51%
Weighted average return on net assets	<u>11.67%</u>	<u>12.17%</u>	<u>12.94%</u>	<u>14.23%</u>	<u>15.54%</u>

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 2021 to each of the shareholders of the Company.

In 2021, in the face of the severity of the continuous spread of the epidemic around the globe, the increase of uncertain and unstable factors in international trading, and the accelerated reconstruction of the global industrial chain and supply chain, the Company made concerted efforts with all parties in the society to achieve fruitful results in production and operation, enterprise reform, business innovation, smart and green port construction, improving the port's radiation, influence, and reputation in full gear, and the "14th Five-Year Plan" has achieved a complete victory at the beginning.

The Company continues to focus on its performance while its production and operation have continued to improve. Relying on the bigger platform of Shandong Port, we have unified with the majority of shipowners and cargo owners, and concentrated our efforts to jointly expand the market. New breakthroughs have been achieved in production and operation, the cargo throughput has reached 568 million tons, increased by 5.6% as compared to the same period in the prior year; the container volume has reached 23.71 million TEUs, increased by 7.8% as compared to the same period in the prior year; the Company achieved a net profit attributable to shareholders of the parent company RMB3.964 billion, increased by 3.18% as compared to the same period in the prior year, creating greater wealth for the society and higher value for shareholders. The Company won 16 awards for its performance, including the “Golden Bauhinia – the 14th Five-Year Plan Most Valuable Listed Company” and “Top 500 Chinese Brands in 2021”, winning high recognition from the capital market.

The Company strengthens corporate governance, and has fully achieved endogenous power. The Company adheres to honesty and compliance, operates in accordance with the law, consciously abides by the rules of market competition, and resists financial fraud consciously, tax evasion, intellectual property infringement and other illegal acts, which ensures the healthy and orderly development of the Company. Focusing on the development of main business, the cultivation of core competitiveness, and the improvement of business performance, the Company has efficiently completed the formulation of the “14th Five-Year Plan”, so as to clarify the direction and provide compliance for the long-term and healthy development of the port. Focusing on key tasks such as reducing costs and expenses, deepening reforms, strengthening foundations, and continuously improving modern corporate governance capabilities, the Company achieved the first AAAA-level standardized good behavior enterprise certification for comprehensive ports by its excellent management standards.

The Company extends the service chain and continues to expand the development space. Relying on the support of the route subsidy policy, we continue to increase the groups of international foreign trade trunk lines such as Japan and South Korea, Southeast Asia, the Middle East, India, Pakistan, Europe and the United States, expand the transit channel between Southeast Asia and the United States, and the maritime transit transportation channel between Japan and South Korea, improve the network layout of internal branch lines, and build a route network system with complementary domestic and foreign trade, supporting trunk and branch lines, and both near and ocean-going routes. The Company plays the role of resource gathering, accelerates the gathering of factors such as shipping, trade and finance, actively cultivates and expands emerging business formats such as oil supply by ships, crude oil futures delivery, and international ore transfer, and accelerates the construction of oil storage, transportation, processing and trading bases in Northeast Asia, and international bulk cargo transfer and distribution bases, and commodity trading centers, improving the development capabilities of port continuously.

The Company serves the “carbon peaking and carbon neutrality” strategy, and accelerates the transformation of smart green. The Company actively implements the concept of green development, responds to the national “carbon peaking and carbon neutrality” strategy, formulates a “carbon peaking and carbon neutrality” implementation plan and a three-year action plan, and takes measures from energy conservation and consumption reduction, collection and distribution methods, intelligent construction, and pollution prevention and control, to accelerate the construction of a world-leading smart and green port. The single-machine operation efficiency of the fully automated terminal reached 52.1 units/hour, setting a world record for the seventh time. The world's first intelligent air-rail test section was built, creating a new mode of container three-dimensional transportation. The oil-electric hybrid intelligent tugboat started construction, and the first hydrogen refueling station started construction in the port field, continuing to lead the trend of green development.

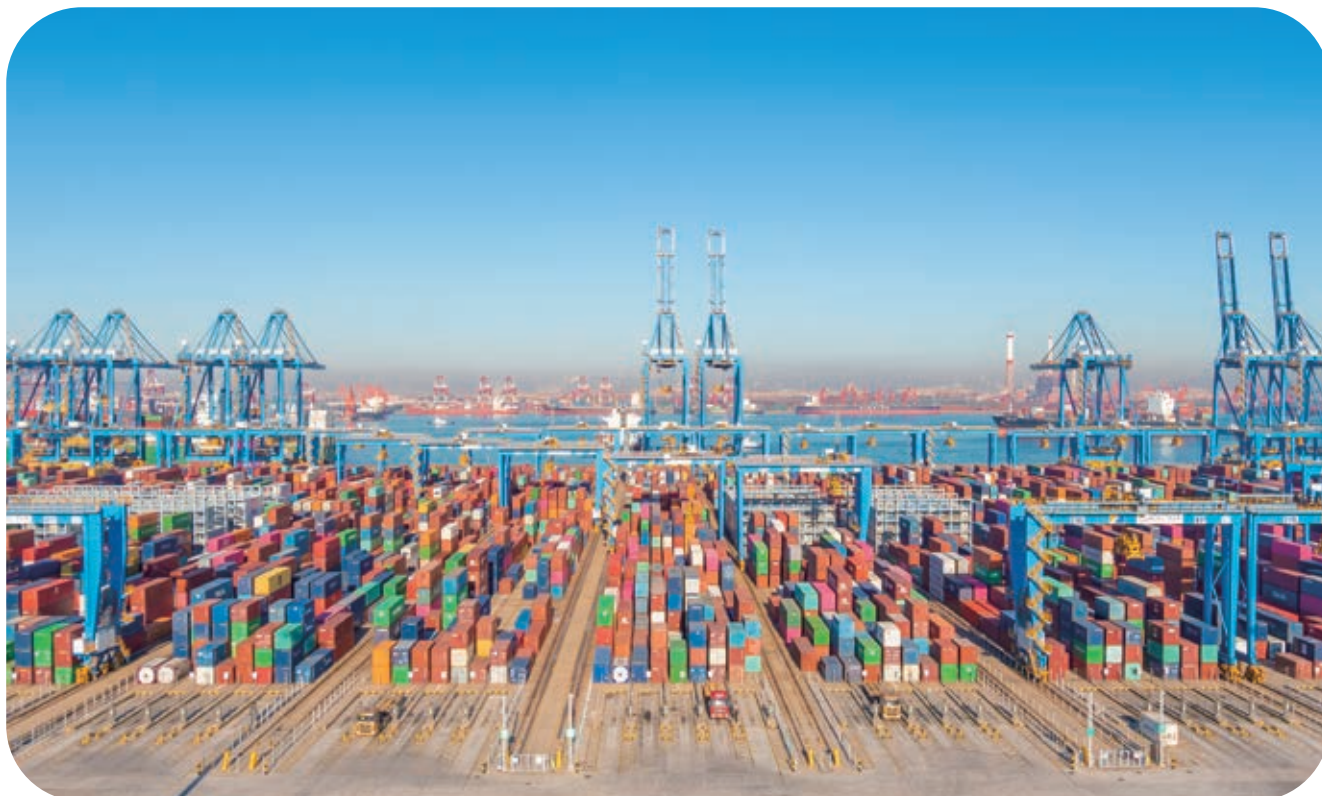
CHAIRMAN'S STATEMENT

Looking forward to 2022, the epidemic of the century will continue to impact the world, the evolution of the world will accelerate, the external environment will become more complex, and the unstable factors of international trade will exist for a long time. As the important window connecting the world and the key point guaranteeing the global supply chain. The Company will adhere to the development concept of “innovation, coordination, green, open, and sharing”, seize the opportunities of RCEP, Shandong Free Trade Zone and other policies, and actively integrate into the new development pattern of “the domestic circulation as the mainstay and the domestic and international circulations reinforcing each other”, to promote development by stability and to open the new situation by accelerating the construction of an international shipping hub in Northeast Asia, to inject new impetus into the recovery of the world economy and the fight against the global epidemic.

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 of the Company and business partners for their strong support and loyal cooperation.

SU Jianguang
Chairman

30 March 2022



I. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2021, the world economy gradually recovered from the bottom and got out of the trough. However, due to the repeated outbreak of the COVID-19 pandemic, the global economic recovery had its ups and downs. The Chinese government scientifically coordinated the epidemic prevention and control and economic and social development, and strengthened the cross-cycle adjustment of macro policies to recover and develop the national economy continuously, achieving a good start to the “14th Five-Year Plan”. China’s annual gross domestic product (GDP) increased by 8.1% as compared to the same period in the prior year, representing an average increase of 5.1% in the past two years. In 2021, the import and export of cargo grew rapidly, and the trade structure continued optimizing. The total value of imports and exports of cargo increased by 21.4% as compared to the same period in the prior year, of which exports increased by 21.2% as compared to the same period in the prior year, imports increased by 21.5% as compared to the same period in the prior year (source: National Bureau of Statistics).

In 2021, the port industry maintained a stable and positive development momentum generally, cargo throughput of the coastal ports nationwide increased by 5.2% as compared to the same period in the prior year, while container throughput increased by 6.4% as compared to the same period in the prior year (source: Ministry of Transport of the PRC). In 2021, the Port of Qingdao ranked fourth and fifth among the national coastal ports in terms of cargo throughput and container throughput, respectively, and ranked second among the coastal ports of China in terms of foreign trade throughput.

MANAGEMENT DISCUSSION AND ANALYSIS

II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

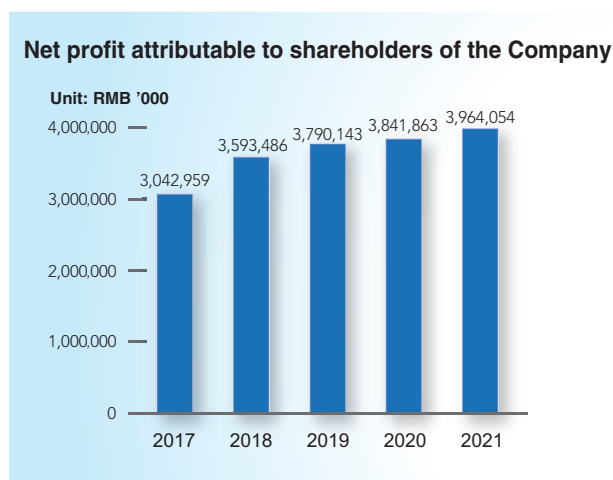
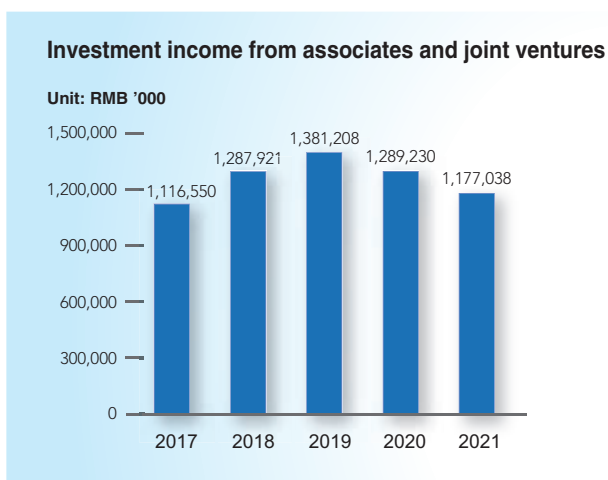
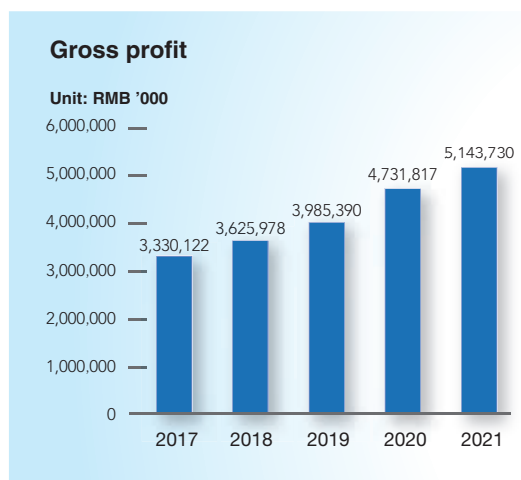
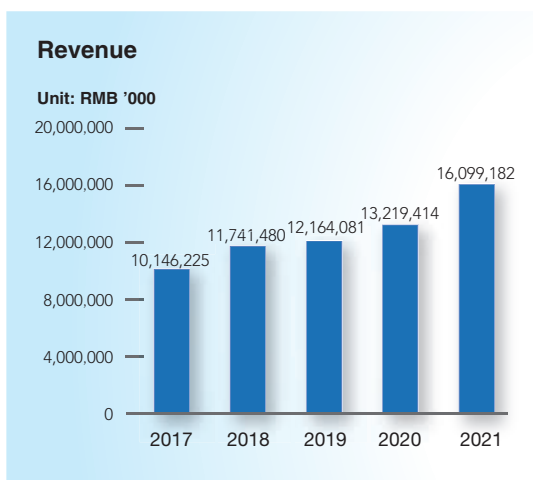
In 2021, facing severe and complex domestic and international situations, the Group actively integrated into the great national strategies such as “OBOR”, Shandong Free Trade Zone, Shanghai Cooperation Demonstration Zone and high-quality development, took the unique advantages of the port as a hub and a node, actively contributed to “the domestic circulation as the mainstay and the domestic and international circulations reinforcing each other”, connected the east and the west, the north and the south, and the sea and land, to serve the new development pattern with a stronger driving effect, to focus on the innovation and development of the main business, accelerating the construction of the world-class marine port with continuously improved comprehensive competitiveness and the steady growth of operating performance.

In 2021, cargo throughput of the Group (without taking into account the respective shareholding percentages of the Company in its joint ventures and associates) reached 568 million tons, representing an increase of 5.6% as compared to the same period in the prior year. In terms of terminal business, the Group continued to deepen the strategy of the shipping company headquarters, and accelerated the construction of an international shipping hub in Northeast Asia and a distribution center of consumer goods in northern China. In 2021, 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 2021 reached 23.71 million TEUs, increased by 7.8% as compared to the same period in the prior year. The Group deepened strategic cooperation with key customers, extended value-added logistics services throughout the whole process, developed emerging business such as ore blending and international transit, and expanded the scope of the port hinterland. The dry and break bulk throughput by the end of the year reached 210 million tons, increased by 3.3% 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 handling imported oil. The liquid bulk throughput by the end of the year 2021 reached 110 million tons, increased by 3.7% as compared to the same period in the prior year.

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 mainly engaged in six 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 RMB16,099 million for the year ended 31 December 2021, representing an increase of RMB2,880 million, or 21.8%, 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 and logistics and port value-added services.

The gross profit of the Group was RMB5,144 million for the year ended 31 December 2021, representing an increase of RMB412 million, or 8.7%, 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 RMB812 million for the year ended 31 December 2021, representing an increase of RMB174 million, or 27.4%, as compared to the same period in the prior year, mainly due to the increase of labor cost for the year caused by the suspension of concession policies for social security contributions during the same period in the prior year and implementing the welfare policy of supplementary medical insurance for employees.

The Group's investment income from joint ventures and associates for the year ended 31 December 2021 amounted to RMB1,177 million, representing a decrease of RMB112 million, or 8.7%, as compared to the same period in the prior year, mainly due to the investment losses in overseas terminal projects of the year.

The Group's total profit for the year ended 31 December 2021 amounted to RMB5,784 million, representing an increase of RMB259 million, or 4.7%, as compared to the same period in the prior year, mainly due to the increase in profit from the segment of liquid bulk handling and ancillary services.

The net profits attributable to shareholders of the Company amounted to RMB3,964 million for the year ended 31 December 2021, representing an increase of RMB122 million, or 3.2%, as compared to the same period in the prior year.

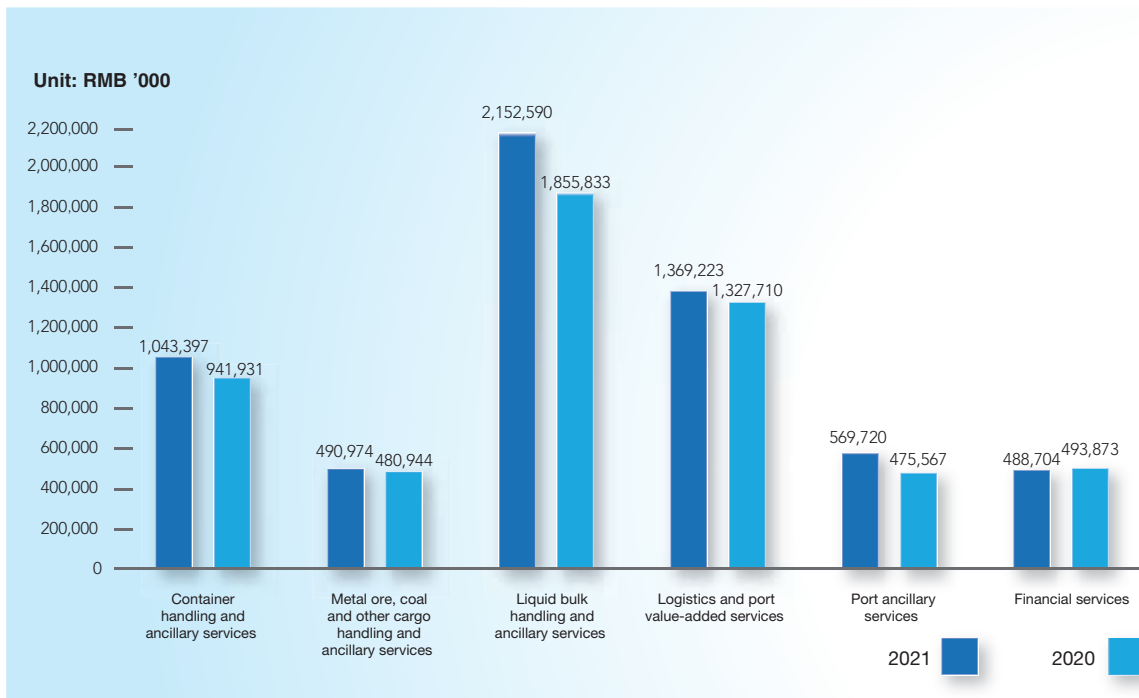
2. Segment Review and Business Review

Segment Results

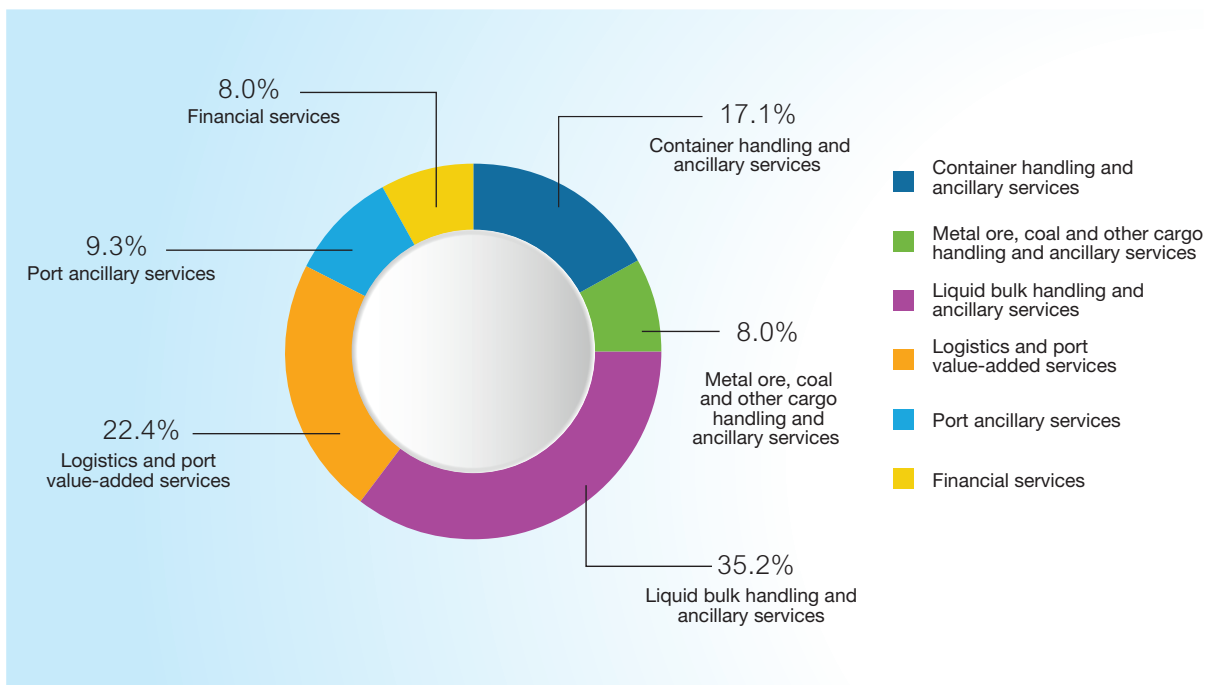
Unit: RMB' 000

Business Segments	2021		2020		Change Percentage
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	1,043,397	17.1%	941,931	16.9%	10.8%
Metal ore, coal and other cargo handling and ancillary services	490,974	8.0%	480,944	8.6%	2.1%
Liquid bulk handling and ancillary services	2,152,590	35.2%	1,855,833	33.3%	16.0%
Logistics and port value-added services	1,369,223	22.4%	1,327,710	23.8%	3.1%
Port ancillary services	569,720	9.3%	475,567	8.5%	19.8%
Financial services	488,704	8.0%	493,873	8.9%	-1.0%
Total results before inter-segment elimination	<u>6,114,608</u>	<u>100.0%</u>	<u>5,575,858</u>	<u>100.0%</u>	<u>9.7%</u>

Comparison of Each Segment Results



Breakdown of Each Segment Results for the Year Ended 31 December 2021



MANAGEMENT DISCUSSION AND ANALYSIS

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	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	362,549	202,090	160,459	79.4%
Cost of sales	103,217	75,078	28,139	37.5%
Gross profit	259,332	127,012	132,320	104.2%
Profit of Consolidated Group Companies				
	210,993	82,436	128,557	155.9%
Joint ventures				
Revenue	4,358,149	4,071,337	286,812	7.0%
Cost of sales	1,868,370	1,633,231	235,139	14.4%
Investment income from joint ventures	832,404	859,495	-27,091	-3.2%
Segment results	1,043,397	941,931	101,466	10.8%

Note: Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial statements 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 2021, 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 main and feeder lines”, and accelerated the construction of an international shipping hub center in Northeast Asia and a distribution center of consumer goods for living materials in northern China. The main breakthroughs achieved were as follows:

- (1) The Group expanded 24 shipping lines, and the number and density of container shipping lines of the Group continued to rank first among ports of northern China, among which 19 were foreign trade shipping lines, especially including 10 lines connected to the OBOR areas such as Southeast Asia, Middle East and Europe, and the Group continued to expand its market layout along the OBOR areas;
- (2) Facing the severe challenge of “one cabin is hard to find”, the Group leveraged its operational efficiency advantages to attract shipping companies to operate more overtime ships in 2021. The number of overtime voyages reached a record high, increasing number of containers in the port and effectively satisfying the export demand of foreign trade enterprises in the hinterland; and
- (3) The Group continued to promote the construction and the function improvement of inland ports, put eight inland ports into operation 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, using the Port of Qingdao as the axis. The sea-rail intermodal container volume of the Group maintained the first place among all the coastal ports nationwide for seven consecutive years.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, the revenue of the container handling and ancillary services amounted to RMB363 million, representing an increase of RMB160 million, or 79.4%, as compared to the same period in the prior year; the profit of Consolidated Group Companies amounted to RMB211 million, representing an increase of RMB129 million, or 155.9%, as compared to the same period in the prior year; the segment results amounted to RMB1,043 million, representing an increase of RMB101 million, or 10.8%, as compared to the same period in the prior year, mainly due to an increase in container business for the year, and an increase in revenue for the year as compared to the same period in the prior year arising from lowering the standards for port dues on cargo and port facility security affected by the COVID-19 pandemic of the year 2020. The investment income from joint ventures amounted to RMB832 million, representing a decrease of RMB27 million, or 3.2%, as compared to the same period in the prior year, mainly due to the increase of costs such as labor costs, electricity fees, etc., arising from the suspension of concession policy for social security contributions during the same period in the prior year and electricity discount policy, the implementation of the supplementary medical welfare policy for employees, and the increase of employees to meet the needs of the epidemic prevention and control in the joint ventures for the year.

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

Unit: RMB' 000

Item	QQCT	
	2021	2020
Revenue	4,188,768	3,873,664
Cost of sales	1,748,471	1,510,462
Investment income	73,060	91,152
Total profit	2,147,692	2,213,356
Income tax expenses	478,490	528,474
Net profit attributable to shareholders of the joint venture	1,652,600	1,676,415
Shareholding percentage held by the Company	51%	51%
Investment income of the Group	<u>828,081</u>	<u>839,789</u>

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



Unit: RMB' 000

Item	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	3,422,816	3,284,941	137,875	4.2%
Cost of sales	2,690,415	2,620,744	69,671	2.7%
Gross profit	732,401	664,197	68,204	10.3%
Profit of Consolidated Group				
Companies	516,464	457,903	58,561	12.8%
Joint ventures				
Revenue	2,035,647	1,751,437	284,210	16.2%
Cost of sales	1,797,224	1,454,878	342,346	23.5%
Investment income from joint ventures	-25,490	23,041	-48,531	-210.6%
Segment results	490,974	480,944	10,030	2.1%

Note: Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial statements 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 2021, the Group drove marketing innovation, deepened strategic cooperation with key customers, extended its whole-process logistic and value-added services, expanded its ore mixing and international transshipment businesses, and proactively expanded the new hinterland markets. The main breakthroughs achieved were as follows:

- (1) The Group deepened the co-marketing strategy with railway companies to expand key markets such as southern Hebei, Shaanxi and Henan Province, and the volume of transportation in the three major regions increased by 49% as compared to the same period in the prior year;
- (2) The Group continued to expand international markets, and international transshipment business volume of iron ore increased by 63% 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 continued to deepen cooperation with Vale of Brazil and other mines and effected new businesses such as transfer of Vale's raw ore and Rio Tinto's ore blending, ranking first in the country in terms of ore blending business volume.

For the year ended 31 December 2021, the revenue of metal ore, coal and other cargo handling and ancillary services amounted to RMB3,423 million, representing an increase of RMB138 million, or 4.2%, as compared to the same period in the prior year; the profit of Consolidated Group Companies amounted to RMB516 million, representing an increase of RMB58 million, or 12.8%, as compared to the same period in the prior year; the segment results amounted to RMB491 million, representing an increase of RMB10 million, or 2.1%, as compared to the same period in the prior year, mainly due to the revenue increase from the handling of grain, coke, steel and other cargoes, and cargo storage. The investment income from joint ventures amounted to RMB-25 million, representing a decrease of RMB49 million, or 210.6%, as compared to the same period in the prior year, mainly due to the increase of costs, arising from the suspension of concession policy for social security contributions during the same period in the prior year, the implementation of the supplementary medical welfare policy for employees, and the increase of employees to meet the needs of the epidemic prevention and control, meanwhile, the increase of costs in epidemic prevention and control such as inspection and testing in the joint ventures.

3 Liquid bulk handling and ancillary services



Unit: RMB' 000

Item	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	3,148,370	2,234,777	913,593	40.9%
Cost of sales	1,129,764	519,506	610,258	117.5%
Gross profit	2,018,606	1,715,271	303,335	17.7%
Profit of Consolidated Group				
Companies	1,790,684	1,513,274	277,410	18.3%
Joint ventures				
Revenue	1,772,436	1,732,966	39,470	2.3%
Cost of sales	716,057	738,911	-22,854	-3.1%
Investment income from joint ventures	361,906	342,559	19,347	5.6%
Segment results	2,152,590	1,855,833	296,757	16.0%

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 statements 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 2021, the Group actively responded to the new situations and changes of the market, took innovation as the main driving force, and strengthened the market development outside Shandong province, the ability improvement and the application of policy innovation. The new breakthroughs achieved were as follows:

- (1) The Group focused on the development of markets out of Shandong Province, opened three new logistics channels in Jiangsu, Hebei and Shaanxi Province, extending the hinterlands and cargo sources for the port;
- (2) The Group accelerated to enhance capacity. The second phase of the crude oil terminal and the liquid chemical terminal in Dongjiakou port area were completed and put into operation, and the handling capacity of imported oil and liquid chemicals was further enhanced; Dongjiakou PetroChina Reservoir Area was successfully put into operation, and the branch line of Dongjiakou oil pipeline was connected, providing new momentum for the development of liquid bulk business; and
- (3) The Group actively innovated development patterns, and was approved as a delivery warehouse for one million cubic meters of crude oil and 150,000 tons of low-sulfur fuel oil futures. Ship fuel supply has achieved new breakthroughs such as direct supply across customs areas and refueling at outer anchorages. The business volume increased by 33% as compared to the same period in the prior year.

For the year ended 31 December 2021, the revenue of liquid bulk handling and ancillary services amounted to RMB3,148 million, representing an increase of RMB914 million, or 40.9%, as compared to the same period in the prior year; the profit of Consolidated Group Companies amounted to RMB1,791 million, representing an increase of RMB277 million, or 18.3%, as compared to the same period in the prior year; the segment results amounted to RMB2,153 million, representing an increase of RMB297 million, or 16.0%, as compared to the same period in the prior year, mainly due to the fact that Dongjiakou Port-Weifang-central and northern Shandong branch oil pipeline and the second phase of the crude oil terminal at the Dongjiakou port area were put into operation; due to the influence of national policies, the changed raw material structure of local refineries, the increased proportion of heavy oil, and the slow turnover of crude oil inventories, resulting in the increase of pipeline transportation and storage capacity business. The investment income from joint ventures amounted to RMB362 million, representing an increase of RMB19 million, or 5.6%, as compared to the same period in the prior year, mainly due to the fact that joint ventures innovated the business management model to increase business income and carried out cost-saving and efficiency-enhancing activities to reduce costs.

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	
	2021	2020	2021	2020	2021	2020
Revenue	1,592,190	1,567,979	545,641	503,813	1,627,071	1,579,888
Cost of sales	559,172	583,713	263,073	279,081	440,906	350,480
Net profit	719,415	684,561	151,877	117,992	837,474	831,892
Shareholding percentage held by the Company	50%	50%	71%	71%	51%	51%
Investment income of the Group	<u>359,708</u>	<u>342,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

4 Logistics and port value-added services

Unit: RMB' 000

Item	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	6,562,387	4,890,042	1,672,345	34.2%
Cost of sales	5,034,214	3,401,821	1,632,393	48.0%
Gross profit	1,528,173	1,488,221	39,952	2.7%
Profit of Consolidated Group Companies	1,305,394	1,258,830	46,564	3.7%
Joint ventures and associates				
Revenue	1,029,567	1,813,531	-783,964	-43.2%
Cost of sales	678,057	1,505,389	-827,332	-55.0%
Investment income from joint ventures and associates	63,829	68,880	-5,051	-7.3%
Segment results	<u>1,369,223</u>	<u>1,327,710</u>	<u>41,513</u>	<u>3.1%</u>

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 statements 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 2021, the logistics and port value-added services of the Group overcame the adverse impact of the COVID-19 pandemic, further optimized the business environment of the Port of Qingdao by providing customers with full-chain service plans, and improved the construction of the “full process, full chain and full area” integrated logistics service system, promoting the overall acceleration of the main business of the port. The main breakthroughs achieved were as follows:

- (1) The Group vigorously developed the shipping space booking agency business, deeply explored the market, innovated the business model, and designed the “road + railway + sea” operation mode for customers. The new extension of the whole logistics business chain drove the increase in the booking business, and the business volume increased by 11% as compared to the same period in the prior year;
- (2) The Group has taken multiple measures to expand its CFS business, strengthened cooperation with shipping companies, intensified efforts to canvass cargoes, innovated business models, and promoted CFS resource sharing in an orderly manner. In 2021, the volume of operating containers increased by 5% to 3,022.9 thousand TEUs, as compared to the same period in the prior year;
- (3) The Group continued to develop the warehousing and futures business, and the futures delivery warehouse was successfully expanded. The completed futures volume increased by 65%, as compared to the same period in the prior year; and Qingdao Port won the title of “National Top 10 Delivery Warehouse” awarded by the Shanghai Futures Exchange for the second time; and
- (4) The Group conducted cross-border e-commerce overseas warehouse business. By providing business operations such as cargo collection, warehousing, shipping space booking, customs declaration, etc., it could provide international and domestic full-process logistics services, and promoted the growth of cross-border e-commerce business with an increase of 47% in e-commerce out-warehouse warrants in the year 2021, as compared to the same period in the prior year.

For the year ended 31 December 2021, the revenue of logistics and port value-added services business amounted to RMB6,562 million, representing an increase of RMB1,672 million, or 34.2%, as compared to the same period in the prior year, mainly due to the increase of the income in freight forwarding business arising from the increase in business volume and freight charge, and the increase of the income in CFS businesses arising from the increase of handling container volume; the profit of Consolidated Group Companies amounted to RMB1,305 million, representing an increase of RMB47 million, or 3.7%, as compared to the same period in the prior year, mainly due to the increased volume of containers, and the increased profits resulting from CFS business, tally and other business. The revenue and cost of sales of joint ventures and associates decreased by 43.2% and 55.0%, respectively, as compared to the same period in the prior year, mainly due to the associate has changed from the full amount method to the net amount method in terms of agency business in the year 2021 and the decrease of income of ore blending agency business in associates. The segment results amounted to RMB1,369 million, representing an increase of RMB42 million, or 3.1%, as compared to the same period in the prior year.

5 Port ancillary services

Unit: RMB' 000

Item	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,603,060	2,603,660	-600	0.0%
Cost of sales	1,997,841	1,870,100	127,741	6.8%
Gross profit	605,219	733,560	-128,341	-17.5%
Profit of Consolidated Group Companies				
	554,866	474,855	80,011	16.8%
Joint venture and associates				
Revenue	316,939	1,625	315,314	19,403.9%
Cost of sales	287,983	904	287,079	31,756.5%
Investment income from joint venture and associates				
	14,854	712	14,142	1,986.2%
Segment results	569,720	475,567	94,153	19.8%

Note: Amounts of revenue and cost of sales of a joint venture represent the amount of those in the financial statements of Ocean Bridge International Ports Management Co., Ltd. and Qingdao Port Engineering, among which Qingdao Port Engineering has become the associate of the Group since November 2021, without taking into account the shareholding percentage held by the Company in the joint venture and the associate.

For the year ended 31 December 2021, the revenue of port ancillary services amounted to RMB2,603 million, which is basically the same as compared to the same period in the prior year. The cost of sales amounted to RMB1,998 million, representing an increase of RMB128 million, or 6.8%, as compared to the same period in the prior year, mainly due to the increase in labour costs arising from the suspension of concession policies for social security contributions during the same period in the prior year and the implementation of the supplementary medical welfare policy for employees. The segment results amounted to RMB570 million, representing an increase of RMB94 million, or 19.8%, as compared to the same period in the prior year, mainly due to the equity disposal of Qingdao Port Engineering engaged in engineering construction and other business to obtain transfer income. The revenue and cost of sales of joint ventures and associates increased by 19,403.9% and 31,756.5%, respectively, as compared to the same period in the prior year, mainly due to Qingdao Port Engineering has changed from a consolidated group company to an associate since November 2021.

6 Financial services

Unit: RMB' 000

Item	2021	2020	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	370,224	327,957	42,267	12.9%
Cost of sales	77,466	72,696	4,770	6.6%
Gross profit	292,758	255,261	37,497	14.7%
Profit of Consolidated Group				
Companies	475,746	482,973	-7,227	-1.5%
An associate				
Revenue	714,335	787,025	-72,690	-9.2%
Cost of sales	370,983	357,794	13,189	3.7%
Investment income from an associate	12,958	10,900	2,058	18.9%
Segment results	<u>488,704</u>	<u>493,873</u>	<u>-5,169</u>	<u>-1.0%</u>

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial statements of Qingdao Qingyin Financial Leasing Co. Ltd., without taking into account the shareholding percentage held by the Company in the associate.

For the year ended 31 December 2021, the revenue of financial services amounted to RMB370 million, representing an increase of RMB42 million, or 12.9%, 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 RMB476 million, representing a decrease of RMB7 million, or 1.5%, as compared to the same period in the prior year, mainly due to the disposal of subsidiaries to obtain equity transfer income in the previous year. The segment results amounted to RMB489 million, representing a decrease of RMB5 million, or 1%, 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 the business of absorbing deposit and granting loans of QDP Financial.

MANAGEMENT DISCUSSION AND ANALYSIS

		Unit: RMB' 000	
Balance sheet	Nature	31 December 2021	31 December 2020
Other receivables	Granting short-term loans	2,701,139	1,442,375
Current portion of non-current assets	Current portion of long-term loans	838,294	59,128
Long-term receivables	Granting long-term loans	2,557,624	3,308,405
Other payables	Absorbing deposit	<u>7,370,397</u>	<u>6,368,517</u>
		Unit: RMB' 000	
Income statement	Nature	2021	2020
Finance expenses	Granting loans and deposits with banks		
– interest income	– interest income	370,224	323,839
Finance expenses	Absorbing deposits and interbank lending and borrowing		
– interest expenses	– interest expenses	<u>77,466</u>	<u>72,348</u>

3. Financial Position Analysis

Unit: RMB' 000				
Item	As at 31 December 2021	As at 31 December 2020	Changed Amount	Changed Percentage
Accounts receivable	1,881,095	2,982,614	-1,101,519	-36.93%
Other receivables	5,597,104	2,273,192	3,323,912	146.22%
Contract assets	425,296	62,830	362,466	576.90%
Current portion of non-current assets	838,294	59,128	779,166	1,317.77%
Other current assets	1,229,888	3,100,048	-1,870,160	-60.33%
Other non-current financial assets	897,168	586,308	310,860	53.02%
Short-term borrowings	1,428,316	135,133	1,293,183	956.97%
Current portion of non-current liabilities	<u>188,513</u>	<u>2,288,917</u>	<u>-2,100,404</u>	<u>-91.76%</u>

As at 31 December 2021, the accounts receivable of the Group decreased by RMB1,102 million, or 36.93%, as compared to the beginning of the year, mainly due to the disposal of Qingdao Port Engineering, which has a large amount of accounts receivable.

As at 31 December 2021, the other receivables of the Group increased by RMB3,324 million, or 146.22%, as compared to the beginning of the year, mainly due to the increase of the loans and payment for agency procurement business provided by QDP Financial to its member companies.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the contract assets of the Group increased by RMB362 million, or 576.90%, as compared to the beginning of the year, mainly due to the increase in receivables from port equipment manufacturing projects that did not meet the receipt conditions.

As at 31 December 2021 the current portion of non-current assets of the Group increased by RMB779 million, or 1,317.77%, as compared to the beginning of the year, mainly due to the increase of current portion loans receivable of QDP Financial.

As at 31 December 2021, the other current assets of the Group decreased by RMB1,870 million, or 60.33%, as compared to the beginning of the year, mainly due to the decrease of interbank deposit certificates and buying back the sale of financial assets by QDP Financial.

As at 31 December 2021, other non-current financial assets of the Group increased by RMB311 million, or 53.02%, as compared to the beginning of the year, mainly due to the equity change of Qingdao Port Engineering, for the equity of the associate company Harbour Engineering.

As at 31 December 2021, the short-term borrowings of the Group increased by RMB1,293 million, or 956.97%, as compared to the beginning of the year, mainly due to the increase of demand for capital in agency procurement business.

As at 31 December 2021, the current portion of non-current liabilities of the Group decreased by RMB2,100 million, or 91.76%, as compared to the beginning of the year, mainly due to the current portion of bonds payable cashed during the year.

4. Cash Flow Analysis

For the year ended 31 December 2021, the net cash outflow of the Group amounted to RMB2,161 million, among which:

- (1) The net cash inflow from operating activities amounted to RMB2,754 million, which was mainly derived from the operating profit of the Consolidated Group Companies;
- (2) The net cash outflow from investing activities amounted to RMB1,966 million, which mainly comprised of the net inflow of RMB3,718 million arising from the recovery of financial investment products such as wealth management products and fixed term deposit, net inflow of RMB504 million arising from the interests of external loans and purchase of wealth management products, and net inflow of RMB1,366 million arising from dividends from joint ventures; the net outflow of RMB1,103 million arising from the provision of loans and financial leasing to member units, net outflow of RMB2,422 million arising from the purchase and construction of fixed assets and construction in progress, etc.; and
- (3) The net cash outflow from financing activities amounted to RMB2,543 million, which mainly comprised of the net inflow of RMB3,511 million arising from borrowings obtained; the net inflow of RMB764 million arising from an increase of deposits absorbed by QDP Financial; the net outflow of RMB4,303 million arising from the repayment of debts such as corporate bonds and bank borrowings; the net outflow of RMB2,206 million arising from the distribution of dividends; and net outflow of RMB181 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 QDP Financial 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 RMB1,218 million.

5. Liquidity and Financial Resources

As at 31 December 2021, the cash at bank and on hand of the Group amounted to RMB9,120 million and wealth management products amounted to RMB2,370 million with the main currency of RMB. After eliminating the impact of QDP Financial, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB10,305 million. After eliminating the impact of QDP Financial, the Group's total interest-bearing borrowings amounted to RMB1,544 million, which are fixed rate liabilities.

As at 31 December 2021, the gearing ratio of the Group was 2%. After eliminating the impact of QDP Financial, the amount of the Group's cash at bank and on hand exceeded its interest-bearing borrowings.

6. Capital Structure

As at 31 December 2021, the total equity of the Group amounted to RMB38,785 million, representing an increase of RMB2,044 million as compared to the beginning of the year, among which, the increase of equity interest attributable to the shareholders of the Company was RMB1,927 million, mainly due to the increase of RMB3,964 million from the operating profit, the decrease of RMB1,702 million from distributed dividends and the decrease of RMB293 million from other comprehensive incomes; the equity interest of minority shareholders increased by RMB117 million, mainly due to the increase of RMB666 million from operating profits, the net increase of RMB35 million from the investments by minority shareholders and the decrease of RMB587 million from distributed dividends.

As at 31 December 2021, 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 RMB34,563 million and RMB3,882 million, respectively, which are calculated based on the closing price of RMB5.69 per share on the Shanghai Stock Exchange and the closing price of HKD4.32 per share on the Hong Kong Stock Exchange as at 31 December 2021.

7. Interest Rate and Exchange Rate Risks

As at 31 December 2021, cash at bank and on hand, receivables and payables at floating rates of the Group amounted to RMB9,109 million, RMB2,607 million and RMB7,239 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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

8. Financial Indicators

Indicators	2021	2020	Change
Weighted average return on net assets	11.67%	12.17%	Decreased by 0.50 percentage point
Interest coverage ratio	38.07	27.49	Increased by 10.58 times
Current ratio	1.27	1.28	Decreased by 0.01
Turnover ratio of accounts receivable	6.14	4.63	Increased by 1.51
Turnover days of accounts receivable	60 days	79 days	Decreased by 19 days

For the year ended 31 December 2021, the weighted average return on net assets was 11.67%, representing a decrease of 0.50 percentage point as compared to the same period in the prior year, mainly due to the major projects invested since the previous year, such as Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project and Dongjiakou General Wharf Grain Silo Phase II Project, were put into operation near the end of 2021 or did not put into operation in the year 2021, and no operating income has been generated in 2021. The interest coverage ratio was 38.07 times, representing an increase of 10.58 times as compared to the same period in the prior year, mainly due to the repayment of bonds payable of RMB2,117 million for the year, the decrease in interest expense compared to the same period in the prior year, and the increase in profit before interest and tax. The accounts receivable turnover days were 60 days, representing a decrease of 19 days as compared to the same period in the prior year, mainly due to the decrease in accounts receivable arising from the disposal of Qingdao Port Engineering engaged in port engineering construction business for the year.

9. Significant Capital Investment

For the year ended 31 December 2021, the Group had significant capital investment of RMB2,468 million, mainly consisting of the investments in the projects including Qingdao Port Dongjiakou port area crude oil commercial reserve tanks, Dongjiakou port area Datang terminal phase II, Dongjiakou general terminal grain silo phase II project, Dongjiakou port area Huaneng terminal phase II and other projects, 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 2021, 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	Deposit Structured	800,000	2021/1/22	2021/7/21	3.00%	Raised funds
Bank of Communications	Deposit Structured	590,000	2021/10/15	2021/12/30	3.10%	Raised funds
Bank of Communications	Deposit Structured	550,000	2021/7/23	2021/8/23	3.10%	Raised funds
Xiamen Bank	Standardized assets such as bonds	200,000	2021/6/2	2021/9/22	/	Self-owned capital

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 May 2021, the Company entered into equity transfer agreements with Qingdao Haiye Petroleum Co., Ltd. and Qingdao Yiruiyuan Trading Co., Ltd. and proposed to acquire 40.8% and 10.2% equity interests in Qingdao Haiye Oil Terminal Co., Ltd. held by Qingdao Haiye Petroleum Co., Ltd. and Qingdao Yiruiyuan Trading Co., Ltd., respectively with the transaction considerations of RMB1,047,614,256 and RMB261,903,564, respectively. For details, please refer to the announcement of the Company dated 10 May 2021. As at 31 December 2021, the transaction has not been completed.

On 28 June 2021, (i) the Company, Harbour Engineering and Qingdao Port Engineering entered into the Qingdao Port Engineering Share Transfer Agreement, and (ii) the Company, Harbour Engineering and Rizhao Port Group entered into the Harbour Engineering Capital Increase Agreement, pursuant to which, the Company agreed to make a capital contribution of RMB183,487.8 thousand to Harbour Engineering by transferring 51% equity interests in Qingdao Port Engineering to Harbour Engineering in exchange for 9.62% of the enlarged share capital in Harbour Engineering. For details, please refer to the announcement of the Company dated 28 June 2021. As at 31 December 2021, the transaction has been completed.

On 28 June 2021, (i) the Company, Shipping Group and Tongbao Shipping entered into the Tongbao Shipping Share Transfer Agreement, and (ii) the Company, Shandong Port Group and Shipping Group entered into the Shipping Group Capital Increase Agreement, pursuant to which, the Company agreed to make a capital contribution of RMB36,656.0 thousand to Shipping Group by transferring 100% equity interests in Tongbao Shipping to Shipping Group in exchange for 11.02% of the enlarged share capital in Shipping Group. For details, please refer to the announcement of the Company dated 28 June 2021. As at 31 December 2021, the transaction has been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 June 2021, the Company, Shandong Port Technology and Qingdao Port Technology entered into the Qingdao Port Technology Capital Increase Agreement, pursuant to which, Shandong Port Technology agreed to make a capital contribution in cash of RMB52,842.245 thousand to Qingdao Port Technology, among which RMB20,816.326 thousand as registered capital, representing 51% of the enlarged share capital in Qingdao Port Technology, and RMB32,025.919 thousand as capital reserves. For details, please refer to the announcement of the Company dated 28 June 2021. As at 31 December 2021, the transaction has been completed.

Save as disclosed above, during the year ended 31 December 2021, 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 2021, in order to obtain a loan of RMB50 million, the Group has pledged its other receivables of RMB175.95 million. Save as disclosed above, the Group has no asset mortgages or pledges.

13. Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

14. Employees

As at 31 December 2021, the Company engaged 3,997 employees, and the Company and its principal subsidiaries engaged 9,218 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, enterprise annuity and supplementary medical insurance 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 2021, 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 proposes to adopt 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 2021, 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, and the operation of Huangdao oil port area was not affected.

16. Outlook for 2022

In 2022, challenges and opportunities will coexist. In terms of challenges, the COVID-19 pandemic continues to impact the world, the evolution of the century has accelerated, the external environment has become more complex, and unstable factors in international trade will exist for a long time; the domestic economic development is facing triple pressures of shrinking demand, supply shocks, and weakening expectations; global congestion of container ports will continue and the unbalanced situation between supply and demand of the global container shipping market is difficult to improve in a short period of time; in terms of dry bulk cargo, the steel industry faces increasing constraint of environmental protection and energy consumption, resulting in a highly competitive market; in terms of liquid bulk cargo, affected by policies such as “transportation structure adjustment”, the consumption of refined oil will be generally weak with increased uncertainty in development. In terms of opportunities, RCEP, Shandong Free Trade Zone and other policies will effectively promote the trade development within-and-outside region with continuous empowerment and bring in new import and export increments; the reform of Shandong Port integration and the synergistic development of Qingdao Port with other ports and business sectors continue to deepen, which will effectively expand new space for the port to increase its volume and profit; the continuous practice of new projects and new businesses near the port and the development of markets outside Shandong province are expected to bring new growth of supply of goods.

In 2022, the Group will continue to deepen reforms, accelerate transformation and upgrading, adhere to a performance-based principle, expand development space, comprehensively improve management efficiency, and accelerate the construction of an international shipping hub in Northeast Asia.

1. Highlight performance as the principle and enhance the competitiveness of port development

Firstly, the Group will expand and strengthen the main business of stevedoring. For the container segment, we will increase the layout of routes continuously and steadily increase the scale of sea-rail intermodal transport. For the dry bulk cargo segment, we will leverage the advantages of large ports, large storage yards, and large bonded areas to increase marketing, to consolidate the supply of goods in the hinterland outside Shandong Province continuously, and to achieve volume efficiency. For the liquid bulk cargo segment, we will take the advantages of infrastructure such as terminals, pipelines and storage tanks, vigorously promoting the increase in imports and transit cargo sources in markets outside Shandong Province.

Secondly, the Group will extend and expand the industrial chain by establishing the Qingdao Free Trade Zone, Huangdao Customs, and Qingdao Port joint innovation laboratory, optimizing the port business environment continuously and making continuing efforts in developing new businesses such as ship fuel supply, crude oil futures delivery, and whole-process logistics.

2. Highlight safety management and control to build a strong guarantee for port development

Firstly, the Group will focus on the safety production by improving the management of safety standards, increasing the safety management and control of key units, key locations and key procedures, to promote the safety and stability of the port.

MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, the Group will enhance the epidemic prevention and control. To strengthen the management and control of key parts, the Group needs to strictly implement epidemic control measures, bolster separating management and control of both domestic and foreign trade, and strictly implement closed-loop management measures for special personnel. The Group will ensure nucleic acid testing and vaccine injection, so that key personnel are fully covered. the Group should improve the level of scientific and technological epidemic prevention, increase the efforts of scientific and technological epidemic prevention projects, and achieve “separation of people and ships, separation of people and goods” to the greatest extent.

3. Highlight the construction of smart and green ports to stimulate the innovation of port development

Firstly, the Group should speed up the construction of smart ports. Relying on the state-level technology center, the Group will give play to the role of “Liangang Innovation Team”, accelerate the construction of key projects such as ubiquitous perception and prediction technology, achieve full coverage of 5G technology in major areas, and lead the trend of intelligent ports development.

Secondly, the Group should speed up the construction of green ports. The Group will increase the proportion of clean transportation, actively promote the application of new energy, and make every effort to build a “hydrogen port” in China.

4. Deepen the reform of state-owned enterprises to enhance the endogenous force of port development

Firstly, the Group should speed up the construction of mechanisms and systems. The Group will rebuild the performance appraisal indicator system, and set up more scientific, reasonable and more oriented appraisal indicators. The Group will improve the functions of the asset management system and improve the level of cycle management for asset life continuously. The Group will deepen the application of quality management system, and complete AAAAA-level evaluation of enterprise standardization and good behavior.

Secondly, the Group should improve profitability continuously. The Group will strengthen cost control, further promote the activities of “increasing revenue and reducing expenditure, improving quality and efficiency”, innovate cost management models, and continuously improve the level of refined management.

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 net amount of proceeds of approximately RMB1,978.93 million.

Details of the use of proceeds were as follows:

	Unit: RMB' 000
Investment Projects of Proceeds	Amount of Net Proceeds
Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project	–
Multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area	1,000,000
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	180,000
Qingdao Port Intelligent Port Area Upgrading Project	200,000
Qingdao Port Area Equipment Procurement Project	302,100
Supplementing working capital	296,830
	<hr/>
Total	1,978,930
	<hr/> <hr/>

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. Upon the approval by the Board on 24 May 2021 and by the annual general meeting of 2020 of the Company held on 28 June 2021, the Company resolved to invest the estimated remaining proceeds of RMB687.17 million, which was originally proposed to be used for the Multi-Purpose Berths and Ancillary Stacking Yards Project, into the Dongjiakou Port Area Datang Terminal Phase II Project.

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: RMB' 000
Investment Projects of Proceeds	Amount of Net Proceeds
The Dongjiakou Port Area Datang Terminal Phase II Project	687,170
Multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area	312,830
Qingdao Port Intelligent Port Area Upgrading Project	200,000
Qingdao Port Area Equipment Procurement Project	482,100
Supplementing working capital	296,830
	<hr/>
Total	1,978,930
	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

For further details, please refer to the Company's announcements dated 26 March 2020, 10 June 2020, 24 May 2021 and 28 June 2021, and the Company's circulars dated 26 May 2020 and 27 May 2021, respectively.

IV. USE OF PROCEEDS

The net proceeds from the H Shares Placing 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 2020, approximately HKD574 million was carried over to this year, which is proposed to be used as funds for overseas terminal investment and acquisition by the Company and working capital for the management of overseas terminal projects by the terminal project management companies jointly established with COSCO SHIPPING Ports. Based on the actual situation of the investment projects for the use of proceeds from H Shares Placing and upon consideration and approval by the Board of the Company which completed voting on 24 May 2021 and the annual general meeting of the year held on 28 June 2021, the Company decided to use the remaining proceeds from the H Shares Placing of approximately HKD634.91 million (including accumulated interest income) for the acquisition of 51% equity interests in Haiye Oil Terminal. For the year ended 31 December 2021, approximately HKD460.45 million has been invested in the fundraising projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used to pay for the equity acquisition of COSCO SHIPPING Ports (Abu Dhabi) Co., Ltd. The Company will use the remaining proceeds in accordance with the progress of the investment projects and business development. As at the date of this report, the remaining proceeds are expected to be fully used towards the investment projects within 12 months.

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 2020, approximately RMB103 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou Port Area, enhancement of the modern logistics business structure of the Company, domestic terminals investment and acquisition and consolidation of the relevant port assets at the Port of Qingdao, and construction of information technology facilities of the Company. For the year ended 31 December 2021, approximately RMB103 million of the proceeds had been used towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for domestic terminals investment and acquisition. As at the date of this report, the remaining proceeds have been fully used by the Company.

The net proceeds from the initial public offering of A shares of the Company were approximately RMB1,979 million. As at 31 December 2020, approximately RMB1,127 million was carried over 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 projects including storage yards in Dongjiakou Port Area, Datang Terminal Phase II Project, intelligent upgrade of the port area, equipment purchase and supplementary working capital. For details, please refer to the Company's announcements dated 26 March 2020, 10 June 2020, 24 May 2021 and 28 June 2021 and circulars dated 26 May 2020 and 27 May 2021. For the year ended 31 December 2021, approximately RMB270 million of the proceeds had been used 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 and 10 June 2020 and circular dated 26 May 2020, which was mainly used for construction of the project of Qingdao Port Investment multi-purpose berths and north jetty II rear ancillary stacking yards in Dongjiakou Port Area, purchase of equipment and the intelligent port area upgrading project. As at the date of this report, the Company will use the remaining proceeds in accordance with the progress of the investment projects and business development and expect that all constructions of fundraising projects will be completed by 2024.

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 RMB256.4 (tax inclusive) per thousand shares, totaling approximately RMB1,664,318 thousand (tax inclusive) which represents approximately 50% of Distributable Profits attributable to shareholders of the Company for the year ended 31 December 2021. Such distribution plan will be implemented on 26 August 2022 subject to approval at the 2021 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 Tuesday, 5 July 2022 to Tuesday, 12 July 2022 (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 Tuesday, 12 July 2022 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. Monday, 4 July 2022 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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021.

VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2021, the Company or any of its subsidiaries did not purchase, sale and redemption of 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 2021.

X. AMENDMENTS TO CONSTITUTIONAL DOCUMENT

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 2021 AGM, the H share register of the Company will be closed from Friday, 27 May 2022 to Tuesday, 28 June 2022 (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 Friday, 27 May 2022 are entitled to attend and vote at the 2021 AGM. Holders of the Company's H shares who wish to attend the 2021 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 Thursday, 26 May 2022 for registration.

XII. MATERIAL LITIGATIONS

For the year ended 31 December 2021, the Group was not involved in any material litigations or arbitrations.

XIII. SUBSEQUENT EVENTS

On 23 January 2022, Shandong Port Group entered into the agreement on gratuitous transfer of equity interests with Qingdao SASAC and Qingdao Port Group, Qingdao SASAC gratuitously transferred 51% equity interests in Qingdao Port Group to Shandong Port Group; on 28 January 2022, Qingdao Port Group has completed the change of industrial and commercial registration procedure on gratuitous transfer of equity interests. Upon completion of such change, the controlling shareholder of the company is still Qingdao Port Group, and the ultimate controller has changed to Shandong SASAC. For details, please refer to the Company's announcements dated 23 January 2022 and 28 January 2022.

On 25 January 2022, the Company entered into the absorption and merger agreement with Shandong Port Group, QDP Financial, RZP Financial and Rizhao Port Group, at the same day, the Company entered into the capital increase agreement with Shandong Port Group, Rizhao Port Group and Financial Holdings. On 25 February 2022, the Company held the 2022 first extraordinary general meeting to consider and improve the absorption and merger agreement and the capital increase agreement and the transaction contemplated thereunder. Such transactions are still subject to approval by China Banking and Insurance Regulatory Commission. Upon completion of such transactions, QDP Financial will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the accounts of the Company. For details, please refer to the Company's announcements dated 25 January 2022 and 25 February 2022 and the Company's circular dated 7 February 2022.

On 25 January 2022, the Company entered into (i) 2022 SDP Goods and Services Agreement, and (ii) 2022 SDP Financial Services Agreement to govern the purchase of goods and services by the Group from Shandong Port Group, sales of goods and services by the Group to Shandong Port Group, provision of asset lease services by the Group to Shandong Port Group and provision of asset lease services by Shandong Port Group to the Group, and provision of the Deposit Services, Credit Services and Intermediary Services by Shandong Port Group to the Group. For details, please refer to the Company's announcements dated 25 January 2022 and 25 February 2022 and the Company's circular dated 7 February 2022.

Save as disclosed in this report, after 31 December 2021, the Group did not have any material subsequent events.

XIV. CORPORATE SOCIAL RESPONSIBILITY

1. Environment Protection

The Group focuses on its social responsibility, sticks to green development, promotes the construction of green and low-carbon ports. The Group actively adopted measures to prevent pollution of the atmosphere, water and solid waste, improved the standards of environmental protection management, and carried out the construction of hydrogen refueling stations in the port, introduced hydrogen energy container trucks, practiced the electric tractors and reach stackers in the pilot, started the construction of "fuel-electric hybrid" tugboats, promoted the normal application of shore power in ships, and reduced fuel consumption and carbon emissions in the port area. The Group actively carried out the photovoltaic transformation on the tops of bridge crane operating rooms, warehouses and buildings, and practiced energy-saving technologies such as energy storage by frequency conversion and permanent magnet motors in the pilot, to reduce port energy consumption and carbon emissions. QDOT was awarded the honorary title of "Asia-Pacific Green Port". QQCT successfully passed the on-site assessment of "Four-star China Green Port".

The Group strives to create a green ecological environment. In 2021, some large green spaces and green belts in the Dagang port area were demolished, and the seedlings were relocated to Qianwan and Dongjiakou port areas. The overall number of seedlings remained stable. Approximately 470,000 seasonal flowers were newly planted throughout the year, improving the port environment.

The Group continued to enhance health and epidemic prevention management. In 2021, the Group continued to improve condition of the port areas and completed an accumulated pesticide application of 32.12 million square meters for vector destruction in its port areas.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Employee Care

The Group concentrates on the cultivation and development of talents and works hard to implement its talent cultivation plan. In 2021, nearly 300 employees in the Group obtained various professional and technical titles in high, middle and junior levels, and more than 170 employees were qualified as senior workers, technicians and senior technicians. Employees of key positions have shown a positive transformation in terms of their age, education, knowledge and ability, providing a solid talent foundation for the development of the Group.

The Group's learning-oriented employees and learning-oriented organizations have achieved new improvements. In 2021, while carefully conducting epidemic prevention and control, the Group organized offline staff training totaling 74 training sessions of 17 topics on epidemic prevention and control knowledge for new middle-level cadres and online training on professional skills through the Zhiniao platform for all employees. The Group's coverage rate of employee training reached 100%, and the average annual training length exceeds 88 hours.

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 improve their talents and builds a channel for their personal development. The Company insists that everyone can be talent as long as they are willing to learn and work. 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 environment 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 undertakes social responsibilities and promote the sustainable and steady development of the Company, meanwhile, it actively responds to and utilizes various advantageous resources to carry out social welfare activities such as targeted poverty alleviation, community services, and caring for children.

In 2021, the Group donated RMB90,100 and organized voluntary donations of RMB209,900 by young members of the Youth League to build 25 "Hope Houses" caring for children. Youth League organizations such as League Member and Youth Civilization Team carried out pairing assistance with donated children with the theme of "Shandong Port Caring for Company", and conducted visits and assistance to children in need during various holidays to improve the effect of assistance work. In order to carry forward the Chinese traditional virtue of the poverty alleviation, and support social welfare and charitable causes, the Group, led by the department of labor union, extensively publicized the "Charity One Day Donation" activity in various ways, creating a good atmosphere for everyone to contribute a warm heart. During the reporting period, the cadres and employees of the Group raised individual donations with a total of RMB528,000 to donate to the Qingdao Charity Federation.

Please refer to the "2021 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 fundamental for 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 Company’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. In the event of adjustment of the national port charging rules or systems by governmental authorities, the Group’s operating results may be influenced.

4. Risk in Relation to the Prevention and Control of Epidemic

The COVID-19 epidemic is severe and complex on a global scale with epidemic outbreaks occurred in many countries quickly, and control measures such as quarantine of cities and suspension of flights have been adopted. Production, transportation, warehousing and other links related to the shipping economy have been impacted with different degrees by the epidemic. The surge in costs and the detention of ships and goods in ports have brought severe challenges to the shipping industry, which is characterized by the flow of people, ships and goods.

The Company will give full play to the advantages of comprehensive services and diversity of goods, and actively expand the space for diversified development. The Company will continuously strengthen the collection and distribution system and the construction of inland ports, providing customers with one-stop comprehensive logistics services, and consolidating and expanding the hinterland of cargo sources. The Company will continuously pay close attention to the trend of the epidemic, coordinate the prevention and control of the epidemic and production and operation, strive to minimize the impact of the epidemic on the Company, comprehensively strengthen the management of the Company, increase the speed of growth, and improve quality and efficiency, achieving a stable development of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF THE COMPANY



Mr. SU Jianguang (蘇建光), born in 1969, is an on-the-job engineering master of harbor coastal and offshoring engineering in Ocean University of China (中國海洋大學) and a researcher of engineering technology application. He joined the Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since July 1989, and has joined the Company since November 2013. 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, the secretary to the Party Committee and chairman of Qingdao Port Group, chairman of Qingdao Port International Container Development Co., Ltd. (青島港國際集裝箱發展有限公司), the commander of Qingdao Port Construction Headquarters, and 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). He served as secretary to the Party Committee, the manager and secretary to the discipline inspection committee of Qingdao Port Engineering, secretary to the Party Committee and the manager of Gangjian Branch, 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 deputy secretary to the Party Committee, the vice president, the vice chairman, non-executive Director, a member of Strategy and Development Committee of the Board and a member of Remuneration Committee of the Board of the Company, and deputy secretary to the Party Committee, the director and the general manager of Qingdao Port Group, etc.. Mr. SU Jianguang has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Mr. LI Wucheng (李武成), born in 1965, graduated from Shandong College of Economics (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) with a bachelor degree of economics majoring in planning statistics and is an engineer. He joined the Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since July 1987, and has joined the Company since November 2013. He currently serves as a 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 the Party Committee, a director and the general manager of Qingdao Port Group. He served as a member of Party Committee and the deputy general manager of QQCT, the secretary and the general manager of Qingdao Port Logistics, the general manager of Qingdao Port Yizhihang Cold-Chain Logistics Co., Ltd. (青島港怡之航冷鏈物流有限公司), a member of the Party Committee and a Supervisor of the Company, the secretary to the Party Committee, executive director and the general manager of Shandong Port Land-Sea International Logistics Group Co., Ltd. (山東港口陸海國際物流集團有限公司), the deputy secretary to the Party Committee, the director and the general manager of Shandong Port Bohaiwan Port Group Co., Ltd. (山東港口渤海灣港集團有限公司), etc.. Mr. LI Wucheng has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



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 Board 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, a member of remuneration committee and a member of environmental, social and governance committee of the board of directors of COSCO SHIPPING Ports (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) and Hainan Harbour & Shipping Holding Co., Ltd. (海南港航控股有限公司). He served as a manager of the commercial section of the department 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 COSCO SHIPPING Group, a non-executive director of COSCO SHIPPING Ports, 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) and 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), etc..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. WANG Xinze (王新澤), born in 1963, is an on-the-job undergraduate of the Shandong Provincial Party School (山東省委黨校) majoring in economic management and a senior economist. He joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since August 1983, and has joined the Company since November 2013. He currently serves as a deputy secretary to the Party Committee, executive Director, general manager, secretary of the Party Committee of Intra-Organizational Department, and a member of Strategy and Development Committee of the Board of the Company, the chairman of the Labor Union of Shandong Port Group, a deputy secretary to the Party Committee and a director of Qingdao Port Group, the secretary of the Party Committee and chairman of QQCTN. He served as the deputy director of the labour department of the Qingdao Port Authority, deputy director and director of the department of personnel, the director of the organization department of the Party Committee, a member of the Party Committee of Intra-Organizational Department of Qingdao Port Group, the 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, etc., 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, is an on-the-job undergraduate of the Central Party School (中共中央黨校) majoring in economic management and an engineer. He has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since December 1987, and has joined the Company since November 2013. He currently serves as a member of Party Committee, a non-executive Director and 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 Qingdao Port Group, the vice chairman of West United, the chairman of QDOT, and the chairman of Mercuria Logistics and the chairman of Shandong Shangangrong Commercial Management Co., Ltd. (山東山港融商務管理有限公司). He served as director of the business department and a member of the Party Committee of Intra-Organizational Department of the Company, the deputy director (presiding over work) of the business department and a member of the Party Committee of Intra-Organizational Department of Qingdao Port Group, a member of the Party Committee and the deputy general manager of Dagang Branch, the deputy secretary of the Party Committee and the manager of Dongjiakou Branch, the general manager of Qingdao Port General Terminal, the general manager of Huaneng Qingdao, the secretary of the Party Committee, the director, general manager and secretary to Discipline Inspection Committee of QQCTU, the secretary of the Party Committee and general manager of West United, the chairman of QQCTN, the vice chairman of Qingdao Shihua, the chairman of Shandong Port Lianhua, an executive director of Qingdao Port Oil Port, the chairman of Mercuria Oil Terminal, the chairman of QQCT, etc.. 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, is an on-the-job engineering master of Nanjing University of Posts and Telecommunications (南京郵電大學) majoring in computer technology, and 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 Qingdao Port Group. 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 Qingdao Port Group, etc.. Ms. WANG Fuling has more than 20 years of management experience.



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. She is a professor and has joined the Company since May 2019. She currently serves as an independent non-executive Director, the chairman of Audit Committee and a member of Remuneration Committee of the Board of the Company, a professor and doctoral tutor of the School of Finance and Taxation of Central University of Finance and Economics, a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會), a director of Chinese Finance Association (中國財政學會), a director of China Finance and Taxation Law Society (中國財稅法學研究會), an independent non-executive 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 non-executive 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 non-executive director of Beijing Capital Tourism Limited by Share Ltd. (北京首旅酒店(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code:600258), an independent non-executive director of Beijing Caishikou Department Store Co.,Ltd. (北京菜市口百貨股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 605599) and 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 of 00168 and 600600, respectively). She served as an independent non-executive director of Tsingtao Brewery Company Limited, 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), 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) and DHC Software Co., Ltd. (東華軟件股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002065).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. JIANG Min (蔣敏), born in 1965, is a master of civil and commercial law from Anhui University (安徽大學). 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 non-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). 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), an independent non-executive 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), and an independent non-executive director of CSG Smart Science & Technology Co., Ltd. (科大智能科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300222).



Mr. LAI Kwok Ho (黎國浩), born in 1977, is a bachelor of business administration degree in professional accounting from The Chinese University of Hong Kong (香港中文大學). 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 (上海第九城市信息技術有限公司) (a company listed on NASDAQ, stock code: NCTY). He was an audit manager of Deloitte & Touche Tohmatsu (德勤會計師事務所). 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.



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 has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since September 1983, and the Company since November 2013. He currently serves as the chairman of the Supervisory Committee of the Company, the consultant and the high-level expert of Shandong Port Group. He served as a member of the Party Committee, administrative deputy general manager, chief engineer, director of the general office department, director of the safety and technology department and a member of Party Committee of Intra-Organizational Department of Qingdao Port Group, the secretary to the Party Committee, factory director of the Manufacturing Factory (港機廠), the secretary to the Party Committee, a director and the general manager of QQCT, a director of QQCTN, a director of QQCTU, a director of QQCTUA, the vice chairman of Qingwei Container, a member of the Party Committee, non-executive Director, a member of Strategy and Development Committee and a member of Audit Committee of the Board of the Company, chief engineer of Shandong Port Group, etc.. 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, the chairman of partners' meeting of Shandong Guoyao Qindao (Qingdao) Law Firm (山東國曜琴島(青島)律師事務所), a director of All China Lawyers Association (中華全國律師協會), 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, stock code: 06816), an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd. (青島百洋醫藥股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 301015), and an independent director of Qingdao Gon Technology Co., Ltd. (青島國恩科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002768). 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, 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).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. YANG Qiulin (楊秋林), born in 1966, is a master of science in applied accounting and finance of Hong Kong Baptist University (香港浸會大學), 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 (青島睿遠成德管理諮詢有限公司), 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), Shandong Tai Peng Environmental Protection Materials Ltd. (山東泰鵬環保材料股份有限公司), Tsingtao Brewery Group Company Limited (青島啤酒集團有限公司), and Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd. (青島海發國有資本投資運營集團有限公司). 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. LIU Shuiguo (劉水國), born in 1975, is an on-the-job master of transportation planning and management of Dalian Maritime University (大連海事大學), a qualified lawyer of the PRC and an professor. He has joined Qingdao Port Group since July 1998 and 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 of labor union of Intra-Organizational Department of the Company, a director of Shandong Port Lianhua, a director of Weihai Port and the external director of Qingdao Fuwai Cardiovascular Hospital Co., Ltd. (青島阜外心血管病醫院有限公司). 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 (presiding over work) of legal department of the Company, and vice chairman of labor union of Intra-Organizational Department of the Company, etc..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. XIA Xiliang (夏希亮), born in 1980, is a bachelor of finance management of Central University of Finance and Economics (中央財經大學) and a senior accountant. He has joined Qingdao Port Group since August 2003 and the Company since November 2013. He currently serves as a Supervisor, the director of the department of audit, a member of the Party Committee of Intra-Organizational Department of the Company, the director of Inspection Leading Group Office of Qingdao Port Group, a supervisor of QQCT, a supervisor of QQCTN, chairman of the supervisory committee of QDP Financial, a supervisor of Qingdao Huanhai Bay Development and Construction Co., Ltd. (青島環海灣開發建設有限公司), an external director of Qingdao Fuwai Cardiovascular Hospital Co., Ltd. (青島阜外心血管病醫院有限公司), a supervisor of Shandong Shangangrong Commercial Management Co., Ltd. (山東山港融商務管理有限公司), a supervisor of Shandong Land-Sea International Logistics (Jinan) Co., Ltd. (山港陸海國際物流(濟南)有限公司), a supervisor of Qingdao Port Technology and the chairman of the supervisory committee of Qingdao Port International Container Development Co., Ltd. (青島港國際集裝箱發展有限公司) He served as an assistant to the director and the deputy director of the supervision and audit department of the Company, a supervisor of Qingdao Port Lianshun Shipping Co., Ltd. (青島港聯順船務有限公司) and a supervisor of Shandong Port Lianhua, etc..



Ms. WANG Xiaoyan (王曉燕), born in 1977, graduated from Shandong Provincial Party School (山東省委黨校) with an on-the-job bachelor's degree majoring in archive secretary and is a political engineer. She has joined Qingdao Port Group since July 1997 and 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, supervisor of QQCTU, and a supervisor of QQCTUA. She served as the manager of the general department of Dagang Branch, director of general office of the labor union and deputy director of Female Worker Committee of Qingdao Port Group, a section chief of human resources department, head of elder works, director of general office of the labor union and deputy director of Female Worker Committee of the Company, a member of the Party Committee and chairman of the labor union of QQCTN, etc..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



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



Mr. ZHANG Jiandong (張建東), born in 1962, is an on-the-job bachelor of economics and Management in the Central Party School (中共中央黨校) and a senior economist. He has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since December 1980, and the Company since November 2013. He currently serves as the deputy general manager of the Company, the chairman of supervisory committee of Weihai Port, the chairman of the supervisory committee of Weihai Port Development, the deputy general manager of Shandong Shangangrong Commercial Management Co., Ltd. (山東山港融商務管理有限公司). He served as deputy director of the dispatching office of Qingdao Port Authority, director of business department and a member of Party Committee of Intra-Organizational Department of Qingdao Port Group, 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, etc.. 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 an on-the-job bachelor of marine engineering management of Dalian Maritime University (大連海事大學) and a senior engineer. He has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since January 1987, and 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 Qingdao Port Group, secretary to the Party Branch and director of Material and Equipment Bidding and Purchasing Center of the Company, secretary to the Party Committee and manager of Tugboat Branch, and a member of the Party Committee of the Company, etc.. 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 an on-the-job bachelor of business administration of Shandong Administration Institute and a senior political engineer. He has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since July 1985, and 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 Qingdao Port Group, deputy secretary and manager of the Party Committee of Qingdao Port Oil Port, the general manager of Qingdao Shihua, the secretary to the Party Committee, the deputy manager and the chairman of labor union of Dongjiakou Branch, the 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, etc.. 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 Hydraulics in Mechanical Engineering department of Shanghai Jiao Tong University and a senior engineer. He has joined Qingdao Port Authority (青島港務局) (now known as Qingdao Port Group) since July 1987, and the Company since November 2013. He currently serves as a deputy general manager of the Company, a director of QQCTN, the vice chairman and the general manager of Ocean Bridge International. He served as the deputy director to the safety and technology department of Qingdao Port Group, a member of the Party Committee and an assistant to the manager of Qingdao Port International Co., Ltd. Logistics Branch Company (青島港國際股份有限公司物流分公司), 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 secretary to the Party Committee, the chairman of the board and the general manager of QQCTN, etc.. 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's degree in Finance and 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 Qingdao Port Group. 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 Port Bohaiwan Port Group Co., Ltd. (山東港口渤海灣港集團有限公司), etc.. Mr. FAN Xiwei has more than 20 years of experience in financial management and has extensive experience in financial management of large-scale enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Ms. SUN Hongmei (孫洪梅), born in 1980, is a literature master majoring in foreign linguistics and applied linguistics of Tongji University (同濟大學) and a senior economist. She has joined Qingdao Port Group since August 2007, and the Company since December 2013. She currently serves as the secretary to the Board, the joint company secretary, the deputy head officer of the general office to the Board (presiding over work), authorized representative of the Company, a director of Weihai Port and a director of Weihai Port Development. She served as a securities affairs representative of the Company, and the director of the capital market office (currently known as the general office to the Board) of the Qingdao Port Group. Ms. SUN Hongmei has extensive experience in capital operation, information disclosure, investor relations management and other securities matters of A share and H share listed company.



The Board is pleased to present the Company's annual report and the audited financial statements for the year ended 31 December 2021.

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 report. Description of possible risks and uncertainties that the Group may be facing is set out on pages 55 of this report. The material subsequent event undertaken by the Group after 31 December 2021 is set out on page 52 of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out on page 44 of this report. Details of the capital structure of the Company is set out on page 43 this report. Details of the significant capital investment of the Group is set out on page 44 of this 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 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 distributes dividend and the amount of such dividend paid by the Company depend 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.

DIRECTORS' REPORT

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; and
- (IV) 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 policies 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. and Shareholders' Dividend Return Plan in Three Years of 2022-2024 of Qingdao Port International Co., Ltd. are 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 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; and

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.

RESULTS AND FINAL DIVIDEND

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

The Board has proposed the distribution of final dividend of RMB256.4 (tax inclusive) per thousand shares, totaling approximately RMB1,664,318 thousand (tax inclusive) which represents 50% of Distributable Profits attributable to shareholders of the Company for the year ended 31 December 2021. Such distribution plan will be implemented on 26 August 2022 subject to approval at the 2021 AGM.

SHARE CAPITAL

As at 31 December 2021, 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	<u>6,491,100,000</u>	<u>100.0%</u>

Changes in share capital of the Company during the year are set out in Note 4(37) to the financial statements.

AUDIT COMMITTEE

Please refer to the chapters of Management Discussion and Analysis and Corporate Governance Report in this 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 2021, the amount of reserves available for distribution of the Company was approximately RMB12,537 million, including a dividend of approximately RMB1,664 million, which is to be proposed at the 2021 AGM.

DIRECTORS' REPORT

DONATIONS

During the reporting period, the Group donated approximately RMB90,100 for projects such as subsidizing poor students.

USE OF NET PROCEEDS

Please refer to the chapter of Management Discussion and Analysis in this 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 2021 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(49) 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 21 July 2021, due to work adjustment, Mr. JIA Funing resigned as an executive Director, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board, a member of the Nomination Committee of the Board and the authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules; Mr. SU Jianguang resigned as the vice chairman and a member of the Remuneration Committee of the Board. On the same day, Mr. SU Jianguang re-designated from a non-executive Director to an executive Director, and was appointed as the chairman of the Board, the chairman of the Strategy and Development Committee of the Board and a member of the Nomination Committee of the Board all with a term of office commencing from 21 July 2021 and ending on the date of the expiration of the third session of the Board. Mr. SU Jianguang was also appointed as the authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules on the same day, with effect from 21 July 2021. For further details, please refer to the announcement of the Company dated 21 July 2021.

On 18 August 2021, Mr. LI Wucheng was appointed as a non-executive Director, vice chairman of the Board, a member of the Strategy and Development Committee of the Board and a member of the Remuneration Committee of the Board, all with a term of office commencing from 18 August 2021 and ending on the date of the expiration of the third session of the Board. For further details, please refer to the announcement of the Company dated 18 August 2021.

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 2021 to 31 December 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board currently comprises of nine Directors, including two executive Directors, namely Mr. SU Jianguang and Mr. WANG Xinze; four non-executive Directors, namely Mr. LI Wucheng, 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 of 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 of Mr. WANG Xinze, the deputy general manager of Mr. ZHANG Jiandong, Mr. LIU Liang, Mr. YANG Fengguang and Mr. YIN Jian, the chief financial officer of Mr. FAN Xiwei and the secretary to the Board of Ms. SUN Hongmei.

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" in this report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors for a term of three years until the conclusion of 2021 AGM 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' REPORT

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 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 2021.

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 2021, Mr. JIA Funing, the then chairman of the Board, also served as the deputy general manager of Shandong Port Group. Mr. JIA Funing resigned from all positions in the Company on 21 July 2021.

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 2021, Mr. FENG Boming, the Director of the Company, concurrently also serves as a director and/or a member of senior management of COSCO SHIPPING Ports and COSCO SHIPPING Holdings, all of which are members of COSCO SHIPPING Group.

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 2021.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of Directors and Supervisors 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 2021, 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 report, at no time during the year had the Company or any of its subsidiaries entered into any material contract with the controlling shareholder of the Company (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 of the Company 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 2021, 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
Qingdao Port Group	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	A shares	Beneficial owner ⁽²⁾	1,015,520,000	15.64%	18.83%	-	Long position
COSCO SHIPPING Ports	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	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

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 Group	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
FMR LLC	H shares	Interest in a controlled corporation	88,331,839	1.36%	-	8.04%	Long position
FIL Limited	H shares	Interest in a controlled corporation ⁽⁵⁾	75,472,027	1.16%	-	6.87%	Long position
Pandanus Associates Inc.	H shares	Interest in a controlled corporation ⁽⁵⁾	75,472,027	1.16%	-	6.87%	Long position
Pandanus Partners L.P.	H shares	Interest in a controlled corporation ⁽⁵⁾	75,472,027	1.16%	-	6.87%	Long position

Notes:

- (1) As at 31 December 2021, Qingdao SASAC and Shandong Port Group held 51% and 49% equity interests of Qingdao Port Group, respectively. The Company was informed that as at 31 December 2021, Qingdao Port Group directly or indirectly held 97,924,000 H shares of the Company, representing approximately 8.91% 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 Qingdao Port Group 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.

As at 31 December 2021, the controlling shareholder of the Company was still Qingdao Port Group, and the actual controller of the Company was still Qingdao SASAC. As at 23 January 2022, Shandong Port Group, Qingdao SASAC and Qingdao Port Group entered into the Gratuitous Transfer Agreement of the Equity Interests, and Qingdao SASAC transferred 51% equity interests in Qingdao Port Group to Shandong Port Group. After the completion of the Gratuitous Transfer has been completed, Shandong Port Group holds 100% equity interests in Qingdao Port Group. As at the date of this report, the controlling shareholder of the Company is still Qingdao Port Group, and the actual controller of the Company is Shandong 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, 2 December 2020, 23 January 2022 and 28 January 2022.

- (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, respectively. Shanghai China Shipping Terminal 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, owned 50.23% interests (in which 6.74% interests was held by its wholly-owned subsidiary) in COSCO SHIPPING Ports. COSCO SHIPPING Holdings 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, 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, 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., which is wholly owned by COSCO SHIPPING Ports. Based on the shareholding relationships set out under note (2) above, each of COSCO SHIPPING Ports, China COSCO (Hong Kong) Limited, COSCO SHIPPING Holdings, China Ocean Shipping Co., Ltd. and COSCO SHIPPING Group is deemed to be interested in 173,313,000 H shares of the Company.
- (5) FIL Limited is deemed to be interested in 75,472,027 H shares of the Company held by its controlled unity/corporation. Pandanus Partners L.P. owned 37.01% equity interests of FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. As such, Pandanus Partners L.P. and Pandanus Associates Inc. are also deemed to be interested in 75,472,027 H shares.

Save as disclosed above, as at 31 December 2021, 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.

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 18 March 2016 and the 2016 second tranche of domestic corporate bonds on 6 June 2016, such domestic corporate bonds have been repaid all principals on 18 March 2021 and 6 June 2021 respectively.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this 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 undertaking 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 undertaking 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 2021.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2021.

DIRECTORS' REPORT

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 of the Company 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 2021.

SHARE OPTION SCHEME

As of 31 December 2021, 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 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(35) to the financial statements.

CONTINGENT LIABILITIES

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

NON-COMPETITION AGREEMENT AND UNDERTAKING

The Company has received a confirmation letter issued by Qingdao Port Group which confirms that it has complied with the agreement and undertaking entered into with the Group during the reporting period.

On 27 January 2022, the Company received the letter of commitment issued by Shandong Port Group and made a commitment to avoid horizontal competition with the Group.

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 2021. For details of compliance with the Corporate Governance Code, please refer to the Corporate Governance Report in this report.

AUDITORS

The financial statements of the Group 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons (set out below is the information as of 31 December 2021)

Connected Person	Connected Relationship
Qingdao Port Group	The controlling shareholder of the Company holding approximately 55.77% 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 subsidiary of Qingdao Port Group, the controlling shareholder of the Company
QDP Financial	A connected subsidiary of the Company which is held as to 70% equity interests by the Company and the remaining 30% equity interests by Qingdao Port Group
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 associate of Shanghai China Shipping Terminal, a substantial shareholder of the Company, the Company and a subsidiary of COSCO SHIPPING Group each holds 50% equity interests of it
Qingdao Orient	Qingdao Orient International Container Storage & Transportation Co., Ltd. (青島東港國際集裝箱儲運有限公司), the associate of Shanghai China Shipping Terminal, a substantial shareholder of the Company, the Company and a subsidiary of COSCO SHIPPING Group holds 45% equity interests and 55% equity interests of it, respectively
Qingdao Haiye Petroleum Co., Ltd.	a substantial shareholder of Shandong Ganglianhua, a subsidiary of the Company, who is a connected person at subsidiary level of the Company
Qingdao Haiye Oil Terminal Co., Ltd	an associate of Qingdao Haiye Petroleum Co., Ltd., who is a connected person at subsidiary level of the Company
Qingdao Leruite Investment Co., Ltd.	the controlling shareholder of Qingdao Haiye Petroleum Co., Ltd., who is a connected person at subsidiary level of the Company

CONNECTED TRANSACTIONS

The Group has conducted a non-exempt connected transaction during the year ended 31 December 2021.

(A) THE ACQUISITION OF 51% EQUITY INTERESTS IN HAIYE OIL TERMINAL AND THE PROVISION OF GUARANTEE

On 10 May 2021, the Company, as the purchaser, entered into (i) the Haiye Oil Terminal Share Transfer Agreement I with Qingdao Haiye Petroleum Co., Ltd. ("**Haiye Petroleum**"), as the vendor, and Qingdao Haiye Oil Terminal Co., Ltd. ("**Haiye Oil Terminal**"), Qingdao Leruite Investment Co., Ltd. ("**Leruite Investment**") and Qingdao Yiruiyuan Trading Co., Ltd. ("**Yiruiyuan Trading**"); and (ii) the Haiye Oil Terminal Share Transfer Agreement II with Yiruiyuan Trading, as the vendor, and Haiye Oil Terminal, Haiye Petroleum and Leruite Investment, pursuant to which, the Company has agreed to purchase, and the vendors have agreed to sell, an aggregate of 51% equity interests in Haiye Oil Terminal by cash. The consideration for the 40.8% equity interests in Haiye Oil Terminal purchased from Haiye Petroleum is RMB1,047,614,256 and the consideration for the 10.2% equity interests in Haiye Oil Terminal purchased from Yiruiyuan Trading is RMB261,903,564. As at 31 December 2021, such transaction has not yet completed.

Haiye Oil Terminal entered into Guarantee Agreement I and Guarantee Agreement II with Qingdao May Fourth Square Branch of China Construction Bank Corporation, and Guarantee Agreement III with Qingdao Shinan Third Branch of Agriculture Bank of China, on 2 September 2019, 30 October 2019, and 25 September 2020, respectively, pursuant to which Haiye Oil Terminal agreed to provide joint and several guarantee for the debt liabilities of Qingdao Yijia Haiye Trading Co., Ltd. ("**Yijia Haiye Trading**") under the relevant loan agreements. The guarantee scope includes the debt with maximum principal balance up to RMB497.52 million and the interests and expenses incurred from the principal debt (including but not limited to liquidated damages, compensation and other expenses) payable by Yijia Haiye Trading under its loan agreements.

As Haiye Petroleum is a substantial shareholder of Shandong Port Lianhua, one of the material subsidiaries of the Company, Haiye Petroleum and its controlling shareholder, Leruite Investment are therefore connected persons at subsidiary level of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Thus, the transactions in terms of the Haiye Oil Terminal Share Transfer constitute connected transactions of the Company. Upon the completion, Haiye Oil Terminal will become a subsidiary of the Company. As stated above, Leruite Investment is a connected person at subsidiary level of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As Leruite Investment holds 50% equity interests in Yijia Haiye Trading, Yijia Haiye Trading is an associate of Leruite Investment and therefore a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Thus, the transactions contemplated under the Guarantee Agreements constitute connected transactions of the Company.

For further details, please refer to the Company's announcement dated 10 May 2021.

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 QINGDAO PORT GROUP

i. 2020 QDP Goods and Services Agreement

On 28 March 2019, the Company entered into the 2020 QDP Goods and Services Agreement with Qingdao Port Group, a substantial shareholder of the Company, 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 Qingdao Port 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 for details of the aforesaid agreement

Upon consideration and approval by the Board, continuing connected transactions under the 2020 QDP Goods and Services Agreement entered between the Company and Qingdao Port Group have adjusted the original annual caps in respect of such for the two years ending 31 December 2022. Please refer to the announcement of the Company dated 29 October 2021 for details of the above annual cap adjustment.

ii. 2020 QDP Financial Services Agreement

On 28 March 2019, the Company entered into the 2020 QDP Financial Services Agreement with Qingdao Port Group pursuant to which Qingdao Port Group 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 QDP FINANCIAL

i. 2020 Financial Services Agreement I

On 28 March 2019, the Company entered into the 2020 Financial Services Agreement I with QDP Financial pursuant to which QDP Financial 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, QDP Financial entered into the 2020 Financial Services Agreement II with Qingdao Port Group pursuant to which QDP Financial shall provide financing services to Qingdao Port Group 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.

DIRECTORS' REPORT

iii. 2020 Lianhai Financial Services Agreement

On 28 March 2019, QDP Financial entered into the 2020 Lianhai Financial Services Agreement with Qingdao Lianhai pursuant to which QDP Financial 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.

iv. 2021 Orient Financial Services Agreement

On 28 March 2019, the Company newly signed and reviewed the 2021 Orient Financial Services Agreement pursuant to which QDP Financial shall provide financing services to Qingdao Orient, 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.

(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, a substantial shareholder of the Company, 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. Qingdao OST is a non-wholly owned subsidiary of the Company, in which the Company and China Ocean Shipping Tally Company, which is a subsidiary of COSCO SHIPPING Group, a substantial shareholder of the Company, hold 84% equity interests and 16% equity interests, respectively. As such, Qingdao OST is a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules.

Upon consideration and approval by the Board, continuing connected transactions under the 2020 QDP Goods and Services Agreement entered between the Company and Qingdao OST have adjusted the original annual caps in respect of such for the two years ending 31 December 2022. Please refer to the announcement of the Company dated 29 October 2021 for details of the above annual cap adjustment.

Annual caps and actual transactions amounts for the above continuing connected transactions for the year 2021 are as follows:

Unit: RMB' 000

		Annual cap for 2021	Amount incurred in 2021
A.	Continuing connected transactions with Qingdao Port Group		
i	2020 QDP Goods and Services Agreement		
	The Group sells goods and services to Qingdao Port Group	578,000	232,336
	The Group purchases goods and services from Qingdao Port Group	200,000	124,432
	The Group leases assets to Qingdao Port Group	10,000	2,318
	The Group leases assets from Qingdao Port Group	190,000	128,552
ii	2020 QDP Financial Services Agreement		
	Maximum outstanding balance of the entrusted loan provided received by the Group from Qingdao Port Group	6,400,000	113,850
	Daily maximum outstanding balance of financial leasing services received by the Group from Qingdao Port Group	3,100,000	283,335
	Rental expenses of financial leasing services received by the Group from Qingdao Port Group	140,000	16,350
	Daily maximum outstanding balance of commercial factoring services received by the Group from Qingdao Port Group	1,000,000	64,963
	Interests expenses of commercial factoring services received by the Group from Qingdao Port Group	40,000	1,450
	Expenses under the intermediary services of commercial factoring services received by the Group from Qingdao Port Group	5,000	0
	Daily maximum outstanding balance of small loan services received by the Group from Qingdao Port Group	100,000	33,683
	Interests expenses of small loan services received by the Group from Qingdao Port Group	4,000	1,617
	Maximum outstanding balance of the financing guarantee service received by the Group from Qingdao Port Group	800,000	3,630
	Guarantee expenses for financing guarantee services received by the Group from Qingdao Port Group	16,000	38

DIRECTORS' REPORT

		Annual cap for 2021	Amount incurred in 2021
B.	Continuing connected transactions with QDP Financial		
i	Daily maximum balance deposited by the Group in QDP Financial (including accrued interest and commission fee)	30,000,000	10,912,224
	Intermediary business services provided by QDP Financial to the Group	8,000	788
ii	Daily maximum outstanding loan balance of credit services provided by QDP Financial to Qingdao Port Group and/or its associates (including accrued interest and commission fee)	5,200,000	1,882,905
	Intermediary business services provided by QDP Financial to Qingdao Port Group	7,000	314
iii	Daily maximum balance deposited by Qingdao Lianhai in QDP Financial (including accrued interest and handling fee)	288,000	32,894
	Daily maximum outstanding loan balance of credit services provided by QDP Financial to Qingdao Lianhai (including accrued interest and handling fee)	100,000	0
	Intermediary business services provided by QDP Financial to Qingdao Lianhai (including accounts receivable management, accounts receivable collection and bad debt guarantee, etc.)	200	0
iv	Daily maximum balance deposited by Qingdao Orient in QDP Financial (including accrued interest and handling fee)	250,000	554
	Intermediary business services provided by QDP Financial to Qingdao Orient (including accounts receivable management, accounts receivable collection and bad debt guarantee, etc.)	200	0
		<u>200</u>	<u>0</u>
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	520,000	372,945
	The Group sells goods and services to COSCO SHIPPING Group		
	Including stevedoring services	450,000	249,177
	logistics services	510,000	412,521
	port ancillary services	45,000	29,444
	Total	1,005,000	691,142
	The Group leases assets to COSCO SHIPPING Group	60,000	35,346
	The Group leases assets from COSCO SHIPPING Group	2,000	150
		<u>2,000</u>	<u>150</u>
D.	Continuing connected transactions with Qingdao OST		
	The Group purchases goods and services from Qingdao OST	100,000	5,489
	The Group sells goods and services to Qingdao OST	100,000	68,060
		<u>100,000</u>	<u>68,060</u>

(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 77 to 82 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 report for details.

DIRECTORS' REPORT

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
SU Jianguang
Chairman

Qingdao, the PRC
30 March 2022

In 2021, 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 five on-site meetings, the details of which were as follows:

- (i) On 29 March 2021, the Supervisory Committee held the eleventh meeting of the third session of the Supervisory Committee to consider and approve ten resolutions, including Resolution on the Annual Report for 2020 of Qingdao Port International Co., Ltd., Resolution on 2020 Sustainability Report and 2021 Sustainability Report Work Plan of Qingdao Port International Co., Ltd., Resolution on the Work Report of the Supervisory Committee for 2020 of Qingdao Port International Co., Ltd., Resolution on the Financial Statements for 2020 of Qingdao Port International Co., Ltd., Resolution on the Profit Distribution Plan for 2020 of Qingdao Port International Co., Ltd., Resolution on the Remuneration Plan of 2020 for Supervisors of Qingdao Port International Co., Ltd., Resolution on the Special Report for 2020 on the Storage and Actual Use of Funds Raised by Qingdao Port International Co., Ltd., Resolution on the Internal Control Evaluation Report for 2020 of Qingdao Port International Co., Ltd., Resolution on Shareholders' Dividend Return Plan in Three Years of 2022-2024 of Qingdao Port International Co., Ltd., and Resolution on Connected Transactions between Qingdao Port International Co., Ltd. and New Increased Related Parties.
- (ii) On 29 April 2021, the Supervisory Committee held the twelfth meeting of the third session of the Supervisory Committee to consider and approve the Resolution on the First Quarterly Report for 2021 of Qingdao Port International Co., Ltd.
- (iii) On 28 June 2021, the Supervisory Committee held the fifteenth meeting of the third session of the Supervisory Committee to consider and approve two resolutions, including Resolution on the Shandong Harbour Engineering Group Limited Company Capital Increase by Qingdao Port International Co., Ltd. and Resolution on the Shandong Port Shipping Group Co., Ltd. Capital Increase by Qingdao Port International Co., Ltd..
- (iv) On 26 August 2021, the Supervisory Committee held the seventeenth meeting of the third session of the Supervisory Committee to consider and approve two resolutions, including Resolution on the Interim Report for 2021 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 2021.
- (v) On 29 October 2021, the Supervisory Committee held the eighteenth meeting of the third session of the Supervisory Committee to consider and approve three resolutions, including Resolution on the Third Quarterly Report for 2021 of Qingdao Port International Co., Ltd., Resolution on the Adjustment to the Annual Caps of Related-Party Transactions with Shandong Port Qingdao Port Group Co., Ltd. and Resolution on the Adjustment to the Annual Caps of Connected Transactions with Qingdao Ocean Shipping Tally Co., Ltd.

SUPERVISORS' REPORT

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 2021 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 2021 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 unfairness or harming non-related-party shareholders' interests, especially middle and minority shareholders.

(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 2022

In 2022, 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 of Qingdao Port International Co., Ltd. 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 2022, 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
30 March 2022

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 2021 (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. SU Jianguang (蘇建光) (Note 1)	Chairman, executive Director	21 July 2021
	Vice Chairman, non-executive Director	10 June 2020
Mr. JIA Funing (賈福寧) (Note 2)	Chairman, executive Director	10 June 2020
Mr. LI Wucheng (李武成)	Vice Chairman, non-executive Director	18 August 2021
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

Note 1: Due to the adjustment of work, Mr. SU Jianguang (蘇建光) resigned as the vice chairman of the Board and re-designated from a non-executive Director to an executive Director, and appointed as the chairman of the Board on 21 July 2021.

Note 2: Due to the adjustment of work, Mr. JIA Funing (賈福寧) resigned as the chairman of the Board and executive Director on 21 July 2021.

The Directors are elected by the general meeting of the Company and will hold offices until the 2021 AGM 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 the Hong Kong Listing Rules, the independent non-executive Directors 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 2021 or their respective appointment dates to 31 December 2021.

Training and Continuous Professional Development of Directors

On 18 August 2021, 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 requirements of information disclosure for listed company and restrictions on behaviors of Shareholders, Directors, Supervisors and senior management.

On 18 August 2021, all Directors, Supervisors, and senior management of the Company received trainings provided by Freshfields Bruckhaus Deringer, the Company's Hong Kong legal adviser. The trainings mainly focused on the "continuing obligations and responsibilities of directors, supervisors and senior management personnel of listed companies in Hong Kong", disclosure of transactions and inside information for listed company and the latest regulatory trends of Hong Kong 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. SU Jianguang, Mr. LI Wucheng, 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 2021, 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 two general meetings of shareholders (including 2020 annual general meeting, the first extraordinary general meeting of 2021). The attendance of the above meetings by each Director is as follows:

Name of Directors	Number of Board Meetings Attended During the Tenure	Attendance Rate	Number of General Meeting(s) Attended During the Tenure	Attendance Rate
	Mr. SU Jianguang (蘇建光)	6/6	100%	2/2
Mr. JIA Funing (賈福寧) (Note 1)	3/3	100%	1/1	100%
Mr. LI Wucheng (李武成) (Note 2)	3/3	100%	0/0	Not applicable
Mr. FENG Boming (馮波鳴) (Note 3)	5/6	83.3%	1/2	50%
Mr. WANG Xinze (王新澤)	6/6	100%	2/2	100%
Mr. WANG Jun (王軍)	6/6	100%	2/2	100%
Ms. WANG Fuling (王芙玲)	6/6	100%	2/2	100%
Ms. LI Yan (李燕)	6/6	100%	2/2	100%
Mr. JIANG Min (蔣敏)	6/6	100%	2/2	100%
Mr. LAI Kwok Ho (黎國浩)	6/6	100%	2/2	100%

Note 1: Mr. JIA Funing (賈福寧) resigned on 21 July 2021. The Company held 3 on-site board meetings and 1 general meeting of shareholders from 1 January 2021 to the date of his resignation.

Note 2: Mr. LI Wucheng (李武成) was appointed on 18 August 2021. The Company held 3 on-site board meetings from the date of his appointment to 31 December 2021. No general meeting of shareholders was held.

Note 3: On 18 August 2021, Mr. FENG Boming (馮波鳴) was unable to attend the 2021 first extraordinary general meeting due to official business arrangements. On 29 October 2021, he was unable to attend the on-site board meeting due to official business arrangements. He has entrusted the independent non-executive Director, Ms. LI Yan (李燕), to vote on his behalf at the board meeting.

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.

CORPORATE GOVERNANCE REPORT

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. SU Jianguang (蘇建光), Mr. LI Wucheng (李武成), 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 of the Company, general mandate to issue the debt financing instruments of the Company, shareholders' dividend return plan in three years of 2022-2024 of the Company and business plan of the Company in 2021 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. SU Jianguang (蘇建光) (Chairman) (Note 1)	1/1	100%
Mr. JIA Funing (賈福寧) (Note 2)	1/1	100%
Mr. LI Wucheng (李武成) (Note 3)	0/0	Not applicable
Mr. FENG Boming (馮波鳴)	1/1	100%
Mr. WANG Xinze (王新澤)	1/1	100%
Mr. WANG Jun (王軍)	1/1	100%
Ms. WANG Fuling (王芙玲)	1/1	100%
Mr. JIANG Min (蔣敏)	1/1	100%

Note 1: Mr. SU Jianguang (蘇建光) was elected as the chairman of the Strategy and Development Committee of the Board on 21 July 2021. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from 21 July 2021 to 31 December 2021.

Note 2: Mr. JIA Funing (賈福寧) resigned on 21 July 2021. The Company held one on-site meetings of the Strategy and Development Committee of the Board from 1 January 2021 to the date of his resignation.

Note 3: Mr. LI Wucheng (李武成) was designated on 18 August 2021. 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 2021.

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 five on-site meetings to consider and approve the resolutions, including resolutions on the Company's 2020 annual report, capital occupation by controlling shareholders and other related parties, special report on storage and actual use of raised funds in 2020, internal control evaluation report of 2020, audit committee performance report of 2020, shareholders' dividend return plan in three years of 2022-2024 of the Company, 2021 first quarterly report, 2021 interim report, 2021 third quarterly report, adjustment to the annual caps of the connected transactions and other proposals, and make recommendations to the Board. At the same time, the Audit Committee communicated with the external auditors on the 2020 audit results and the 2021 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)	5/5	100%
Ms. WANG Fuling (王芙玲)	5/5	100%
Mr. LAI Kwok Ho (黎國浩)	5/5	100%

Representatives of external auditors participated in some of the on-site audit committee meetings of the Company held in 2021.

3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. LAI Kwok Ho (黎國浩), Mr. LI Wucheng (李武成) 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.

CORPORATE GOVERNANCE REPORT

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. LI Wucheng (李武成) (Note 1)	0/0	Not applicable
Mr. SU Jianguang (蘇建光) (Note 2)	1/1	100%
Ms. LI Yan (李燕)	1/1	100%

Note 1: Mr. LI Wucheng (李武成) was appointed on 18 August 2021. 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 2021.

Note 2: Mr. SU Jianguang (蘇建光) resigned on 21 July 2021. The Company held one on-site meeting of the Remuneration Committee of the Board from 1 January 2021 to the date of his resignation.

Pursuant to the code E.1.5 of the Corporate Governance Code, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management of the Company categorized by remuneration group for the year ended 31 December 2021:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	11
2	500,001-1,000,000	4
3	1,000,001-2,000,000	6

Notes:

Group 1 includes 7 Directors, 3 Supervisors and 1 senior executive of the Company.

Group 2 includes 3 Supervisors and 1 senior executive of the Company.

Group 3 includes 2 Director and 5 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) and 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. SU Jianguang (蘇建光) 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 two on-site meetings, in which the appointment of the Company's deputy general manager, the nomination of candidates as vice chairman, the nomination of candidates as members of Board committees and other proposals 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)	2/2	100%
Mr. SU Jianguang (蘇建光) (Note 1)	1/1	100%
Mr. JIA Funing (賈福寧) (Note 2)	1/1	100%
Mr. LAI Kwok Ho (黎國浩)	2/2	100%

Note 1: Mr. SU Jianguang (蘇建光) was appointed on 21 July 2021. The Company held one on-site meetings of the Nomination Committee of the Board from the date of his appointment up to 31 December 2021.

Note 2: Mr. JIA Funing (賈福寧) resigned on 21 July 2021. The Company held one on-site meetings of the Nomination Committee of the Board from 1 January 2021 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 2021, the Board has met the expected goal of the Board Diversity Policy and kept an appropriate balance of member structure.

CORPORATE GOVERNANCE REPORT

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	29 April 2019
Mr. XIA Xiliang (夏希亮)	Shareholder representative Supervisor	10 June 2020
Ms. WANG Xiaoyan (王曉燕)	Employee representative Supervisor	29 April 2019

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 2021 AGM 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 five on-site meetings and the Company held two 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	Attendance Rate	Number of General Meeting(s) Attended During the Tenure	Attendance Rate
Mr. ZHANG Qingcai (張慶財) (Chairman of the Supervisory Committee)	5/5	100%	2/2	100%
Mr. WANG Yaping (王亞平)	5/5	100%	2/2	100%
Mr. YANG Qiulin (楊秋林)	5/5	100%	2/2	100%
Mr. LIU Shuiguo (劉水國)	5/5	100%	2/2	100%
Mr. XIA Xiliang (夏希亮)	5/5	100%	2/2	100%
Ms. WANG Xiaoyan (王曉燕)	5/5	100%	2/2	100%

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

CORPORATE GOVERNANCE REPORT

V. JOINT COMPANY SECRETARIES

Due to work adjustment, Ms. LEUNG Suet Wing resigned as the joint company secretary of the Company on 21 July 2021, Mr. LEE Kwok Fai Kenneth was appointed as the joint company secretary of the Company on the same day. Due to work adjustment, Mr. LIU Yongxia resigned as the joint company secretary of the Company on 15 September 2021, Ms. SUN Hongmei was appointed as the joint company secretary of the Company on the same day. Due to work adjustment, Mr. LEE Kwok Fai Kenneth resigned as the joint company secretary of the Company on 25 January 2022, Ms. NG Sau Mei was appointed as the joint company secretary of the Company on the same day.

During the Reporting Period, Ms. SUN Hongmei and Mr. LEE Kwok Fai Kenneth 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, Ms. SUN Hongmei and Mr. LEE Kwok Fai Kenneth 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 Ms. SUN Hongmei, 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 RMB9.48 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	2,660,000
Non-audit services	<u>710,000</u>
Total	<u><u>9,480,000</u></u>

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 an internal control manual to monitor these procedures 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 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. In 2021, the company further straightened out and adjusted the functions of the organizational structure. The Safety Technology Department was renamed the Safety and Environmental Protection and Technology Department, the Supervision and Audit Department was renamed the Audit Department to strengthen organizational guarantees.

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 Group 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 the Audit 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 2021, the Company will actively prevent and resolve major risks, organize and carry out special actions to identify and manage key risks, identify key risks, formulate key risk control measures, organize the revision and release of new Internal Control Manual and Risk Management Manual, to further strengthen the solid defense of the risk. In 2021, 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 2021. 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 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.

Save for Mr. FENG Boming (馮波鳴) was unable to attend the 2021 first extraordinary general meeting due to official business arrangements, other Directors, Supervisors and the secretary (the Joint Company Secretary) of the Board are present at the general meetings, while general manager, deputy general manager, chief financial officer, external auditors and legal counsels 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 28 June 2021, the chairman of the meeting demanded that all resolutions to be passed by poll, and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding the annual report for 2020, the profit distribution plan for 2020, etc. were considered and approved. For details, please refer to the announcement of the Company regarding the poll results dated 28 June 2021.

CORPORATE GOVERNANCE REPORT

In the 2021 first extraordinary general meeting of the Company held on 18 August 2021, the chairman of the meeting demanded that the resolution to be passed by poll. At the meeting, the resolution regarding the election of non-executive Director was considered and approved. For details, please refer to the announcement of the Company regarding the poll results dated 18 August 2021.

2. Amendments to Constitutional Document

As at 31 December 2021, the Company has not amended the Articles of Association. 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: 86-532-82983083

E- mail: qggj@qdport.com

Address: 7 Gangji Road, City North District, Qingdao, Shandong Province, the PRC

AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2022) 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 2021;
- 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 2021, 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 supplemental retirement benefits obligations
- Estimates on the bad debt provision for accounts receivable

Key Audit Matter

Provision for supplemental retirement benefits obligations

Please refer to Note 2 (19)(b), (30)(b)(ii) and Note 4(35) long-term employee benefits payable.

As at 31 December 2021, Qingdao Port International Company has recognised liabilities in connection with the provision for supplemental retirement benefits of approximately RMB2,503.98 million.

The liabilities in connection with the 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 supplemental retirement benefits obligations. 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 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 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 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 or the local social average wage growth rates, 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 provision for 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(4)(d) the bad debt provision for accounts receivable.

The gross carrying amount of accounts receivable amounted to RMB2,031.46 million and a provision for impairment of RMB150.37 million has been recognised as at 31 December 2021.

Qingdao Port International Company measures the loss provisions 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 provision for bad debts 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.

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 impairment 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 2021 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 REPORT

PwC ZT Shen Zi (2022) No. 10102

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

Signing CPA
Jia Na (Engagement Partner)

Shanghai, the People's Republic of China
30 March 2022

Signing CPA
Lv Yongzheng

CONSOLIDATED BALANCE SHEET

As at 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4	31 December 2021	31 December 2020
Current assets			
Cash at bank and on hand	(1)	9,119,769,281	8,548,976,734
Financial assets held for trading	(2)	835,756,386	1,121,813,078
Notes receivable	(3)	27,155,970	52,322,799
Accounts receivable	(4)	1,881,094,561	2,982,613,568
Financing receivables	(5)	376,792,050	528,732,800
Advances to suppliers	(6)	107,592,257	102,314,994
Other receivables	(7)	5,597,104,118	2,273,191,624
Inventories	(8)	126,371,467	137,327,278
Contract assets	(9)	425,295,998	62,830,443
Current portion of non-current assets	(11)	838,294,118	59,127,841
Other current assets	(10)	<u>1,229,888,128</u>	<u>3,100,048,118</u>
Total current assets		<u>20,565,114,334</u>	<u>18,969,299,277</u>
Non-current assets			
Long-term receivables	(11)	2,557,623,609	3,308,404,670
Long-term equity investments	(12)	10,015,353,289	9,871,753,951
Other non-current financial assets	(13)	897,168,337	586,308,466
Investment properties	(14)	173,639,371	170,522,903
Fixed assets	(15)	17,816,872,407	16,168,130,367
Construction in progress	(16)	3,423,125,235	3,068,902,274
Right-of-use assets	(17)	370,858,887	311,822,056
Intangible assets	(18)	2,879,757,528	2,914,515,994
Development costs	(18)	24,006,548	—
Goodwill	(19)	48,683,209	48,683,209
Long-term prepaid expenses		54,922,728	27,145,518
Deferred tax assets	(20)	949,441,911	920,319,850
Other non-current assets	(21)	<u>798,988,735</u>	<u>811,556,445</u>
Total non-current assets		<u>40,010,441,794</u>	<u>38,208,065,703</u>
TOTAL ASSETS		<u>60,575,556,128</u>	<u>57,177,364,980</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 4	31 December 2021	31 December 2020
Current liabilities			
Short-term borrowings	(23)	1,428,315,717	135,133,306
Notes payable	(24)	1,218,023,563	890,180,633
Accounts payable	(25)	1,454,934,151	1,197,290,688
Advances from customers		9,168,614	6,453,928
Contract liabilities	(26)	196,144,973	148,693,164
Employee benefits payable	(27)	524,105,666	440,016,032
Taxes payable	(28)	264,095,701	256,377,041
Other payables	(29)	10,886,687,331	9,421,058,097
Current portion of non-current liabilities	(30)	188,512,933	2,288,917,202
Other current liabilities		12,949,599	8,474,375
Total current liabilities		16,182,938,248	14,792,594,466
Non-current liabilities			
Long-term borrowings	(31)	—	109,708,639
Lease liabilities	(32)	184,438,326	139,109,235
Long-term payables	(33)	151,757,561	40,973,544
Provisions		4,000,000	9,765,192
Deferred income	(34)	268,390,844	280,047,491
Long-term employee benefits payable	(35)	2,464,840,000	2,326,560,000
Deferred tax liabilities	(20)	51,872,949	54,031,756
Other non-current liabilities	(36)	2,482,691,848	2,683,842,524
Total non-current liabilities		5,607,991,528	5,644,038,381
Total liabilities		21,790,929,776	20,436,632,847
Shareholders' equity			
Share capital	(37)	6,491,100,000	6,491,100,000
Capital surplus	(38)	12,276,919,811	12,318,673,889
Other comprehensive income	(39)	(5,541,784)	287,298,275
Specific reserve		3,673,408	4,279,187
Surplus reserve	(40)	2,002,688,003	1,617,193,102
General risk reserve	(41)	411,248,470	411,248,470
Undistributed profits	(42)	13,743,191,909	11,866,599,218
Total equity attributable to shareholders of the Company		34,923,279,817	32,996,392,141
Minority interests		3,861,346,535	3,744,339,992
Total Shareholders' equity		38,784,626,352	36,740,732,133
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		60,575,556,128	57,177,364,980

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 2021
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 15	31 December 2021	31 December 2020
Current assets			
Cash at bank and on hand	(1)	6,049,663,895	8,333,996,251
Financial assets held for trading		201,471,986	220,000,000
Notes receivable		—	8,219,152
Accounts receivable	(2)	430,401,666	1,219,976,288
Financing receivables	(3)	143,359,008	286,445,752
Advances to suppliers		21,723,637	28,137,650
Other receivables	(4)	657,490,515	700,894,981
Inventories		29,385,257	62,098,053
Contract assets		—	49,231,610
Current portion of non-current assets	(5)	33,214,786	433,352,280
Other current assets		63,581,763	72,543,846
Total current assets		<u>7,630,292,513</u>	<u>11,414,895,863</u>
Non-current assets			
Long term receivables	(5)	2,348,000,000	2,103,000,000
Long-term equity investments	(6)	16,819,323,357	15,175,058,130
Other non-current financial assets		291,565,287	71,421,487
Investment properties	(7)	1,326,471,111	1,376,919,138
Fixed assets	(8)	8,796,153,303	7,686,460,150
Construction in progress	(9)	2,066,259,985	2,045,778,428
Right-of-use assets		239,192,915	113,794,210
Intangible assets	(10)	2,101,539,012	2,118,457,836
Development costs	(10)	22,421,207	—
Long-term prepaid expenses		28,671,054	3,433,631
Deferred tax assets		60,822,323	41,294,915
Other non-current assets		410,817,367	389,819,151
Total non-current assets		<u>34,511,236,921</u>	<u>31,125,437,076</u>
TOTAL ASSETS		<u><u>42,141,529,434</u></u>	<u><u>42,540,332,939</u></u>

COMPANY BALANCE SHEET

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 15	31 December 2021	31 December 2020
Current liabilities			
Short-term borrowings		25,021,313	492,801,545
Notes payable		221,244,211	408,914,009
Accounts payable		407,091,672	574,635,530
Advances from customers		7,319,838	6,446,235
Contract liabilities		124,586,007	109,583,678
Employee benefits payable		383,118,967	319,497,688
Taxes payable		52,841,978	44,252,776
Other payables		1,289,016,690	657,655,859
Current portion of non-current liabilities		43,456,254	2,196,290,190
Other current liabilities		<u>6,723,229</u>	<u>6,259,510</u>
Total current liabilities		<u>2,560,420,159</u>	<u>4,816,337,020</u>
Non-current liabilities			
Lease liabilities		155,617,539	54,080,491
Long-term payables		36,586,728	40,973,544
Provisions		—	9,765,192
Deferred income		138,666,444	138,433,588
Long-term employee benefits payable		1,846,150,000	1,763,450,000
Other non-current liabilities		<u>2,482,691,848</u>	<u>2,683,842,524</u>
Total non-current liabilities		<u>4,659,712,559</u>	<u>4,690,545,339</u>
Total liabilities		<u>7,220,132,718</u>	<u>9,506,882,359</u>
Shareholders' equity			
Share capital		6,491,100,000	6,491,100,000
Capital surplus	(12)	16,242,455,107	16,247,471,564
Other comprehensive income	(13)	31,210,000	291,230,000
Surplus reserve		2,002,688,003	1,617,193,102
Undistributed profits	(14)	<u>10,153,943,606</u>	<u>8,386,455,914</u>
Total shareholders' equity		<u>34,921,396,716</u>	<u>33,033,450,580</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>42,141,529,434</u>	<u>42,540,332,939</u>

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 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2021	For the year ended 31 December 2020
1. Revenue	(43)	16,099,181,504	13,219,413,890
Less: Cost of sales	(43),(47)	(10,955,451,374)	(8,487,597,332)
Taxes and surcharges	(44)	(129,537,571)	(104,591,148)
Selling and distribution expenses	(47)	(55,390,616)	(40,621,861)
General and administrative expenses	(45),(47)	(811,594,645)	(637,286,906)
Research and development expenses	(18),(47)	(82,708,843)	(20,178,352)
Financial expenses	(46)	138,157,771	13,380,022
Including: Interest expenses		155,677,343	207,835,967
Interest income		392,883,319	356,399,859
Add: Other income	(48)	149,112,486	88,907,845
Investment income	(49)	1,427,798,244	1,550,902,088
Including: Investment income from associates and joint ventures		1,177,037,672	1,289,230,148
Gains on changes in fair value		20,488,122	2,195,578
Credit impairment losses	(50)	(29,559,789)	(93,152,905)
Asset impairment losses		(8,759,366)	12,432,618
Gains on disposal of assets		21,236,734	17,725,923
2. Operating profit		5,782,972,657	5,521,529,460
Add: Non-operating income		2,790,705	13,110,299
Less: Non-operating expenses		(2,064,097)	(9,442,814)
3. Total profit		5,783,699,265	5,525,196,945
Less: Income tax expenses	(51)	(1,153,879,322)	(1,104,837,067)
4. Net profit		4,629,819,943	4,420,359,878
Classified by continuity of operations			
Net profit from continuing operations		4,629,819,943	4,420,359,878
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Minority interests		665,765,931	578,496,735
Attributable to shareholders of the Company		3,964,054,012	3,841,863,143

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2021	For the year ended 31 December 2020
5. Other comprehensive income, net of tax	(39)	<u>(289,606,440)</u>	<u>103,989,290</u>
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		(287,368,551)	106,408,100
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		(5,471,508)	(1,778,497)
Attributable to minority shareholders, net of tax		3,233,619	(640,313)
6. Total comprehensive income		<u>4,340,213,503</u>	<u>4,524,349,168</u>
Attributable to shareholders of the Company		3,671,213,953	3,946,492,746
Attributable to minority interests		668,999,550	577,856,422
7. Earnings per share			
Basic earnings per share(RMB)	(52)(a)	0.61	0.59
Diluted earnings per share(RMB)	(52)(b)	0.61	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 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 15	For the year ended 31 December 2021	For the year ended 31 December 2020
1. Revenue	(15)	5,877,708,044	6,455,453,540
Less: Cost of sales	(15),(17)	(4,226,713,532)	(4,697,991,952)
Taxes and surcharges		(77,133,506)	(75,245,340)
Selling and distribution expenses	(17)	(19,634,817)	(28,609,321)
General and administrative expenses	(17)	(508,122,575)	(272,583,845)
Research and development expenses	(17)	(41,024,931)	(7,832,088)
Financial expenses	(16)	(60,875,741)	(159,426,050)
Including: Interest expenses		38,194,560	104,139,337
Interest income		56,351,760	45,371,777
Add: Other income		28,258,960	34,246,402
Investment income	(18)	3,087,551,174	2,510,948,841
Including: Investment income from associates and joint ventures		1,251,646,244	1,276,523,231
Credit impairment losses	(11)	20,589,545	(14,511,498)
Asset impairment losses	(11)	1,392,635	2,868,422
Gains on disposal of assets		18,213,971	20,800,607
2. Operating profit		4,100,209,227	3,768,117,718
Add: Non-operating income		2,152,966	10,878,117
Less: Non-operating expenses		(839,900)	(4,976,147)
3. Total profit		4,101,522,293	3,774,019,688
Less: Income tax expenses	(19)	(351,717,763)	(385,877,682)
4. Net profit		3,749,804,530	3,388,142,006
Classified by continuity of operations			
Net profit from continuing operations		3,749,804,530	3,388,142,006
Net profit from discontinued operations		—	—
5. Other comprehensive income, net of tax		(260,020,000)	99,720,000
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		(260,020,000)	99,720,000
6. Total comprehensive income		3,489,784,530	3,487,862,006

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 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2021	For the year ended 31 December 2020
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		15,934,926,691	13,029,896,827
Refund of taxes and surcharges		41,056,105	—
Cash received relating to other operating activities	(53)(a)	<u>296,377,956</u>	<u>742,950,235</u>
Sub-total of cash inflows		<u>16,272,360,752</u>	<u>13,772,847,062</u>
Cash paid for goods and services		(7,196,399,849)	(6,455,848,133)
Cash paid to and on behalf of employees		(2,631,994,513)	(2,045,804,316)
Payments of taxes and surcharges		(1,668,227,253)	(1,474,124,770)
Cash paid relating to other operating activities	(53)(b)	<u>(2,021,362,329)</u>	<u>(192,073,732)</u>
Sub-total of cash outflows		<u>(13,517,983,944)</u>	<u>(10,167,850,951)</u>
Net cash flows from operating activities	(54)(a)	<u>2,754,376,808</u>	<u>3,604,996,111</u>
2. Cash flows from investing activities			
Cash received from disposal of investments		18,925,115,349	31,113,670,061
Cash received from returns on investments		1,869,596,005	1,526,104,277
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		31,442,538	23,187,886
Net cash received from disposal of subsidiaries and other business units	(54)(b)	28,935,375	—
Cash received relating to other investing activities	(53)(c)	<u>2,630,765,677</u>	<u>2,286,858,337</u>
Sub-total of cash inflows		<u>23,485,854,944</u>	<u>34,949,820,561</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,421,901,764)	(2,987,861,970)
Cash paid to acquire investments		(15,231,369,447)	(28,110,710,906)
Cash paid to acquire subsidiaries	(54)(b)	—	(148,807,287)
Cash paid relating to other investing activities	(53)(d)	<u>(3,866,775,054)</u>	<u>(4,768,429,279)</u>
Sub-total of cash outflows		<u>(21,520,046,265)</u>	<u>(36,015,809,442)</u>
Net cash flows from investing activities		<u>1,965,808,679</u>	<u>(1,065,988,881)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2021	For the year ended 31 December 2020
3. Cash flows from financing activities			
Cash received from capital contributions		102,940,000	97,400,000
Including: Cash received from capital contributions by minority shareholders of subsidiaries		102,940,000	97,400,000
Cash received from borrowings		3,511,335,697	676,731,504
Cash received relating to other financing activities	(53)(e)	<u>835,659,153</u>	<u>1,645,438,911</u>
Sub-total of cash inflows		<u>4,449,934,850</u>	<u>2,419,570,415</u>
Cash repayments of borrowings		(4,303,435,843)	(764,568,796)
Cash payments for distribution of dividends, profits or interest expenses		(2,387,207,431)	(1,529,477,708)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(504,039,305)	(73,763,095)
Cash paid relating to other financing activities	(53)(f)	<u>(301,974,046)</u>	<u>(541,931,773)</u>
Sub-total of cash outflows		<u>(6,992,617,320)</u>	<u>(2,835,978,277)</u>
Net cash flows from financing activities		<u>(2,542,682,470)</u>	<u>(416,407,862)</u>
4. Effect of foreign exchange rate changes on cash		<u>(16,837,760)</u>	<u>(44,808,118)</u>
5. Net increase in cash	(54)(a)	2,160,665,257	2,077,791,250
Add: Cash at the beginning of the year		<u>6,076,037,331</u>	<u>3,998,246,081</u>
6. Cash at the end of the year	(54)(a)	<u>8,236,702,588</u>	<u>6,076,037,331</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 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	5,525,357,144	5,208,550,027
Cash received relating to other operating activities	269,778,033	279,623,425
Sub-total of cash inflows	<u>5,795,135,177</u>	<u>5,488,173,452</u>
Cash paid for goods and services	(2,774,814,068)	(2,129,922,534)
Cash paid to and on behalf of employees	(1,439,733,206)	(1,288,467,764)
Payments of taxes and surcharges	(507,468,960)	(572,001,000)
Cash paid relating to other operating activities	(284,943,176)	(138,985,271)
Sub-total of cash outflows	<u>(5,006,959,410)</u>	<u>(4,129,376,569)</u>
Net cash flows from operating activities	<u>788,175,767</u>	<u>1,358,796,883</u>
2. Cash flows from investing activities		
Cash received from disposal of investments	2,944,518,799	7,568,531,500
Cash received from returns on investments	3,040,311,333	2,038,453,172
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	12,158,565	22,636,336
Net cash received from disposal of subsidiaries and other business units	—	54,475,830
Cash received relating to other investing activities	1,725,645,324	1,057,000,000
Sub-total of cash inflows	<u>7,722,634,021</u>	<u>10,741,096,838</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(757,301,709)	(894,607,247)
Cash paid to acquire investments	(4,525,945,154)	(7,251,216,325)
Cash paid relating to other investing activities	(1,066,806,264)	(1,152,192,700)
Sub-total of cash outflows	<u>(6,350,053,127)</u>	<u>(9,298,016,272)</u>
Net cash flows from investing activities	<u>1,372,580,894</u>	<u>1,443,080,566</u>

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
3. Cash flows from financing activities		
Cash received from borrowings	<u>257,000,000</u>	<u>571,169,949</u>
Sub-total of cash inflows	<u>257,000,000</u>	<u>571,169,949</u>
Cash repayments of borrowings	<u>(2,883,322,091)</u>	<u>(436,800,000)</u>
Cash payments for distribution of dividends, profits or interest expenses	<u>(1,741,266,865)</u>	<u>(1,400,024,863)</u>
Cash paid relating to other financing activities	<u>(37,996,804)</u>	<u>(25,113,023)</u>
Sub-total of cash outflows	<u>(4,662,585,760)</u>	<u>(1,861,937,886)</u>
Net cash flows from financing activities	<u>(4,405,585,760)</u>	<u>(1,290,767,937)</u>
4. Effect of foreign exchange rate changes on cash	<u>(17,500,544)</u>	<u>(29,200,425)</u>
5. Net (decrease)/increase in cash	<u>(2,262,329,643)</u>	<u>1,481,909,087</u>
Add: Cash at the beginning of the year	<u>8,311,409,540</u>	<u>6,829,500,453</u>
6. Cash at the end of the year	<u>6,049,079,897</u>	<u>8,311,409,540</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 2021

(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 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>
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	(39)	—	—	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		—	—	—	—	—	—	—	13,103,937	13,103,937
Profit distribution										
Appropriation to surplus reserves	(40)	—	—	—	—	338,814,201	—	(338,814,201)	—	—
Appropriation to general risk reserve	(41)	—	—	—	—	—	30,661,676	(30,661,676)	—	—
Profit distribution to shareholders	(42)	—	—	—	—	—	—	(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	(38)	—	(7,679,072)	—	—	—	—	—	—	(7,679,072)
Balance at 31 December 2020		<u>6,491,100,000</u>	<u>12,318,673,889</u>	<u>287,298,275</u>	<u>4,279,187</u>	<u>1,617,193,102</u>	<u>411,248,470</u>	<u>11,866,599,218</u>	<u>3,744,339,992</u>	<u>36,740,732,133</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021
(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 1 January 2021		<u>6,491,100,000</u>	<u>12,318,673,889</u>	<u>287,298,275</u>	<u>4,279,187</u>	<u>1,617,193,102</u>	<u>411,248,470</u>	<u>11,866,599,218</u>	<u>3,744,339,992</u>	<u>36,740,732,133</u>
Movements for the year ended										
31 December 2021										
Total comprehensive income										
Net profit		—	—	—	—	—	—	3,964,054,012	665,765,931	4,629,819,943
Other comprehensive income	(39)	—	—	(292,840,059)	—	—	—	—	3,233,619	(289,606,440)
Total comprehensive income for the year		—	—	(292,840,059)	—	—	—	3,964,054,012	668,999,550	4,340,213,503
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	102,940,000	102,940,000
Purchase of minority shareholders		—	(36,737,621)	—	—	—	—	—	(68,247,133)	(104,984,754)
Profit distribution										
Appropriation to surplus reserves	(40)	—	—	—	—	385,494,901	—	(385,494,901)	—	—
Profit distribution to shareholders	(42)	—	—	—	—	—	—	(1,701,966,420)	(586,613,760)	(2,288,580,180)
Specific reserve										
Appropriation to safety fund		—	—	—	76,872,973	—	—	—	21,354,343	98,227,316
Utilization of safety fund		—	—	—	(77,478,752)	—	—	—	(21,426,457)	(98,905,209)
Recognition of other changes in other reserves of associates and joint ventures										
	(38)	—	(5,016,457)	—	—	—	—	—	—	(5,016,457)
Balance at 31 December 2021		<u>6,491,100,000</u>	<u>12,276,919,811</u>	<u>(5,541,784)</u>	<u>3,673,408</u>	<u>2,002,688,003</u>	<u>411,248,470</u>	<u>13,743,191,909</u>	<u>3,861,346,535</u>	<u>38,784,626,352</u>

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 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 15	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>

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 15	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
Balance at 1 January 2021		<u>6,491,100,000</u>	<u>16,247,471,564</u>	<u>291,230,000</u>	—	<u>1,617,193,102</u>	<u>8,386,455,914</u>	<u>33,033,450,580</u>
Movements for the year ended 31 December 2021								
Total comprehensive income								
Net profit		—	—	—	—	—	3,749,804,530	3,749,804,530
Other comprehensive income	(13)	—	—	(260,020,000)	—	—	—	(260,020,000)
Total comprehensive income for the year		—	—	(260,020,000)	—	—	3,749,804,530	3,489,784,530
Profit distribution								
Appropriation to surplus reserves		—	—	—	—	385,494,901	(385,494,901)	—
Profit distribution to shareholders		—	—	—	—	—	(1,701,966,420)	(1,701,966,420)
Specific reserve								
Appropriation to safety fund		—	—	—	30,686,400	—	—	30,686,400
Utilization of safety fund		—	—	—	(30,686,400)	—	—	(30,686,400)
Recognition of other changes in other reserves of associates and joint ventures	(12)	—	(5,016,457)	—	—	—	—	(5,016,457)
Impact of disposal of subsidiaries		—	—	—	—	—	105,144,483	105,144,483
Balance at 31 December 2021		<u>6,491,100,000</u>	<u>16,242,455,107</u>	<u>31,210,000</u>	—	<u>2,002,688,003</u>	<u>10,153,943,606</u>	<u>34,921,396,716</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 2021
(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 Shandong Port Qingdao Port Group Co., Ltd. (formerly known as Qingdao Port (Group) Co., Ltd., hereinafter “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 2021
(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 2021, 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 55.77% 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 2021, Qingdao Port Group remains the controlling shareholder of the Company and Qingdao SASAC remains as the ultimate controller of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION (Continued)

Pursuant to the *Gratuitous Transfer Agreement of the 51% Equity Interests in Shandong Port Qingdao Port Group Co., Ltd. between Shandong Port Group Co., Ltd. and the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government* signed by Qingdao Port Group, Shandong Port Group, and Qingdao SASAC on 23 January 2022, Qingdao SASAC gratuitously transferred 51% equity interests in Qingdao Port Group to Shandong Port Group. The agreement was approved and entered into force by the State-owned Assets Supervision & Administration Commission of Shandong Provincial Government (“Shandong SASAC”), and Qingdao Port Group completed the change of industrial and commercial registration procedures with the ultimate parent company of the Company changed to Shandong Port Group.

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.

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. The subsidiaries that are no longer included in the scope of consolidation for the year are Qingdao City Qingdao Port Commodity Trading Centre Co., Ltd. (“QDP CTC”), Qingdao Port Technology Co., Ltd. (“Technology Company”), Qingdao Port Tongbao Shipping Co., Ltd. (“Tongbao Shipping”), Qingdao Port (Group) Engineering Co., Ltd. (“Qingdao Port Engineering”) and Qingdao Port Engineering Design Institute Co., Ltd. (“Port Engineering Design Institute”) that have been disposed and 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 30 March, 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(1) Preparation basis of financial statements (Continued)

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.

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 2021 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 2021 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(6) Preparation of consolidated financial statements (Continued)

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 attributed 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.

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.

If the control over the subsidiary is lost due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment in the consolidated financial statements is remeasured at its fair value at the date when the control is lost. The sum of consideration received from the disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the share of net assets of the former subsidiary based on continuous calculation since the acquisition date at previous proportion of shareholding and goodwill, is recognised as investment income for the current period when the control is lost. In addition, other comprehensive income and other changes in owners' equity (excluding other comprehensive income from changes arising from remeasurement by investees on net liabilities or net assets of defined benefit plans and from accumulative changes in fair value of investments in equity instrument not held for trading held by investees that are classified as fair value through other comprehensive income), which are related with the equity investment in the former subsidiary, are transferred to profit or loss for the current period when the control is lost.

Acquisition of minority interests in subsidiaries

After the control over the subsidiary is gained, whole or partial minority interests of the subsidiary owned by minority shareholders are acquired from the subsidiary's minority shareholders. In the consolidated financial statements, the subsidiary's assets and liabilities are reflected at the amount based on continuous calculation since the acquisition date or the combination date. The difference between additional long-term equity investments for purchase of minority interests and the share of net assets of the subsidiary calculated at the increased proportion of shareholding based on continuous calculation since the acquisition date or the combination date is treated as an adjustment to capital surplus. If the capital surplus (capital premium or share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 2021
(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 2021
(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 debt instruments at fair value through other comprehensive income, contract assets, lease receivables, financial guarantee contracts and loan commitments 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, the Group determines them as the financial instruments in Stage 1, and measures loss provision based on 12-month ECL.

For the financial instruments in Stage 1 and Stage 2, the interest income is calculated by applying the effective interest rate to the book balance (before net of expected credit loss provision). 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 2021
(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 of notes receivable A	Trade acceptance notes receivable from companies in the scope of consolidation (For company financial statements)
Grouping of notes receivable 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:

Internal company combinations	Other receivables and long-term receivables from companies in the scope of consolidation (For company financial statements)
Loan and advance combinations	Loans and advances from companies outside the scope of consolidation
Agency business and receivables combinations	Agency business and receivables combinations from companies outside the scope of consolidation other than loans and advances
Deposit combinations	Deposit combinations from companies outside the scope of consolidation other than loans and advances
Dividend receivable combinations	Dividend receivable combinations from companies outside the scope of consolidation other than loans and advances
Other combinations	Other combinations from companies outside the scope of consolidation other than loans and advances

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 of loss in the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 and borrowings. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments (Continued)

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

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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Fixed assets (Continued)

(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)).

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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) Software

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Intangible assets (Continued)

(e) Research and development (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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

Pursuant to the Minutes of the 29th Executive Meeting of the 14th 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) in 2020, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Employee benefits (Continued)

(c) Termination benefits (Continued)

Early retirement benefits (Continued)

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.

(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 expense.

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

Loss provision for financial guarantee contracts and provision for loan commitments which are recognised on the basis of ECL are presented as provisions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Revenue recognition (Continued)

(a) Rendering of services (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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 both of the following conditions are satisfied:

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Leases (Continued)

The Group as a lessee (Continued):

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.

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.

The Group as a 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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.

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*

The Group's major judgments when determining the classification of financial assets include analysis of business models and contract cash flow characteristics.

The Group determines the business model of managing financial assets at the level of the financial asset portfolio. The factors considered include the way to evaluate and report the performance of financial assets to key management personnel, the risks that affect the performance of financial assets and their management methods, and relevant business managers How to get paid, etc.

When evaluating whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be due to early repayment and other reasons that may lead to changes in the time distribution or amount during the duration; whether the interest is only Including the time value of money, credit risk, other basic borrowing risks, and the consideration of costs and profits. For example, does the amount paid in advance reflect only the unpaid principal and the interest based on the unpaid principal, as well as the reasonable compensation paid for early termination of the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 and credit impairment*

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, which affects the probability of default, 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 supplemental retirement benefits*

The liabilities recognized from supplemental retirement benefits by the Group are calculated on an actuarial basis using a number of assumptions. The assumptions include discount rates, 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 2021
(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 2021, the weights of the three economic scenarios of “benchmark”, “unfavourable” and “favourable” were 60%, 30% and 10%, respectively (In 2020: 60%, 30% and 10%). 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, environment changes on customer conditions, business climate index, consumer price index, industrial added value, Gross National Product and investment in fixed assets, etc. In 2021, 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:	2022 and			
on year-on-year basis	subsequent years	2.07%	1.78%	2.35%
Industrial added value: on a	2022 and			
cumulative year-on-year basis	subsequent years	4.96%	3.92%	5.38%
Gross national product: on a	2022 and			
cumulative year-on-year basis	subsequent years	5.21%	4.88%	5.56%
Investment in fixed assets:				
on a cumulative	2022 and			
year-on-year basis	subsequent years	5.05%	3.81%	7.42%

In 2020, the key macroeconomic parameters used in each scenario by the Group were listed below:

		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	Year 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: on a	Year 2021	6.93%	3.90%	9.20%
cumulative year-on-year basis	2022 and			
	subsequent years	4.74%	3.25%	5.85%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31) Significant changes in accounting policies

In 2021, the Ministry of Finance issued *the Circular on Issuing Interpretation No. 14 of Accounting Standards for Business Enterprises* (Cai Kuai [2021] No. 1), *the Notice on Adjusting the Application Scope of the Provisions on the Accounting Treatment Regarding COVID-19-Related Rent Concessions* (Cai Kuai [2021] No. 9), and *the Q&A on Implementation of Accounting Standards for Business Enterprises*. The Group has adopted the above circular, notice and Q&A to prepare the financial statements for the year ended 31 December 2021, and there is no significant impact on the financial statements of the Group and the Company.

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% and 13%
Land use tax	Taxable revenue amount Actual size of the land occupied	3% and 5% 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] No. 54) and *the Announcement on Extending the Implementation Period of Certain Preferential Tax Policies* (Cai Shui [2021] No. 6) issued by the State Taxation Administration and relevant regulations, during the period from 1 January 2018 to 31 December 2023, 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.

3 TAXATION (Continued)

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

(b) VAT

In 2021, 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%; Construction services provided for the self-supplying projects and sales of concrete apply the simple taxation method with an applicable rate of 3%.

(2) Tax incentives

(a) Enterprise income tax

In 2019, the Company's former subsidiary 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 Taxation Administration of 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 2021 (In 2020: 15%). As mentioned in Note 5 (1), the Company's shareholding ratio in Technology Company changes from 100% to 49% and Technology Company is no longer a subsidiary of the Company.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Qingdao Port Multi-purpose Terminal Co., Ltd. ("QMT", formerly known as Datang Port Co., Ltd.) 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 2021, QMT was qualified for 50% tax reduction for the third year and DMT was qualified for 50% tax reduction for the second year.

In 2021, pursuant to Cai Shui [2021] No.8, 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 Waili Inspection and Testing Co., Ltd. ("Waili Inspection"), and 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 12.5%, 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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”), 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.

Pursuant to the relevant provisions of the *Notice on Comprehensively Promoting the Pilot Project of Replacing Business Tax with VAT issued by the Ministry of Finance and the State Administration of Taxation* (No. 36 [2016] of the State Administration of Taxation of the Ministry of Finance), Shandong Ganglianhua Pipeline Oil Transportation Co., LTD. (“Lianhua Pipeline”), a subsidiary of the company, as a general taxpayer providing pipeline transportation services, For those whose actual VAT burden exceeds 3%, the policy of levy-and-refund will be implemented.

(c) Land use tax for terminal land

In 2021, according to the *Announcement on Continuing the Implementation of the Preferential Urban Land Use Tax Policies for the Land Used by Logistics Enterprises for Bulk Commodity Storage Facilities* (Cai Shui [2020] No. 16) issued by the Ministry of Finance and the State Taxation Administration, the Group’s warehousing area for bulk commodities was subject to 50% tax reduction of land use tax. According to the *Regulation on Issue of Land Use Tax Exemption of Port Land of Transport Department* (Guo Shui Di Zi [1989] No. 123), the Group’s land exclusively for ports (Berths, including quayside, deep-water floating quay, embankment, dam, etc.) was exempted from land use tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash on hand	8,288	—
Cash at bank	8,242,623,701	7,676,774,711
Other cash balances	872,673,505	852,156,032
Interest receivable	4,463,787	20,045,991
	<u>9,119,769,281</u>	<u>8,548,976,734</u>
Including: amounts deposited abroad	<u>3,223,531</u>	<u>25,228,534</u>

As at 31 December 2021, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB694,994,295 (31 December 2020: RMB824,079,195) pursuant to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB89,278,872 (31 December 2020: RMB21,574,981), deposits for the issuance of letter of credit amounted to RMB86,510,717 (31 December 2020: RMB5,474,726) and deposits for the issuance of letter of guarantee amounted to RMB1,889,621 (31 December 2020: RMB1,027,130) (Note4(54)(a)).

(2) Financial assets held for trading

	31 December 2021	31 December 2020
Wealth management products (i)	634,284,400	901,813,078
Structured deposit	201,471,986	220,000,000
	<u>835,756,386</u>	<u>1,121,813,078</u>

(i) 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 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Notes receivable

	31 December 2021	31 December 2020
Trade acceptance notes	27,627,585	54,813,964
Less: Bad debt provision	<u>(471,615)</u>	<u>(2,491,165)</u>
	<u>27,155,970</u>	<u>52,322,799</u>

- (a) As at 31 December 2021, the Group had no pledged acceptance notes (As at 31 December 2020: nil).
- (b) As at 31 December 2021, the Group had no trade acceptance notes that have been endorsed but not mature (As at 31 December 2020: nil).
- (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 2021, the Group had no notes receivable with provision for impairment on individual basis.

The amount of bad debt provision accrued during the year was RMB1,254,006. The Group did not make any significant debt provision reversal or write-off for notes receivable during the year. The amount of provision for bad debts transferred out in the current year due to the disposal of subsidiaries Tongbao Shipping, Qingdao Port Engineering and Technology Company was RMB765,544.

(4) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	2,031,460,657	3,210,799,719
Less: Bad debt provision	<u>(150,366,096)</u>	<u>(228,186,151)</u>
	<u>1,881,094,561</u>	<u>2,982,613,568</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 2021
(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 2021	31 December 2020
Within 1 year	1,738,888,624	2,599,240,153
1 to 2 years	121,556,786	512,444,480
2 to 3 years	169,984,523	82,297,431
Over 3 years	1,030,724	16,817,655
	<u>2,031,460,657</u>	<u>3,210,799,719</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 2021, 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>528,076,798</u>	<u>(70,353,897)</u>	<u>25.99%</u>

(c) For the year ended 31 December 2021, the Group did not have any receivables that were derecognized due to the transfer of financial assets (For the year ended 31 December 2020: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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.

- (i) As at 31 December 2021, for the receivables of RMB22,092,229 from Zhongshang Jiankai (Qingdao) Technology Development Co., Ltd., the Group believed that such receivables were difficult to recover as the company had declared bankruptcy or had obvious signs of operation difficulties, therefore, the Group believed that such receivables were difficult to recover, the Group evaluated the cash flows that might be collected under different scenarios, and recognised the difference of RMB20,975,044 between the present value of the cash flows that might be collected and the cash flows receivable according to the contract as provision for bad debts.
- (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 2021		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	262,181,076	4.21%	(11,043,206)
1 to 2 years	111,180,294	12.07%	(13,419,676)
2 to 3 years	139,142,478	40.21%	(55,954,461)
Over 3 years	1,030,724	100.00%	(1,030,724)
	<u>513,534,572</u>		<u>(81,448,067)</u>
		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>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 (Continued):

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

	31 December 2021		
	Ending Balance	Provision for bad debt	
	Amount	Lifetime ECL rate	Amount
Within 1 year	1,476,707,548	2.42%	(35,667,762)
1 to 2 years	10,376,492	33.97%	(3,525,407)
Over 2 years	8,749,816	100.00%	(8,749,816)
	<u>1,495,833,856</u>		<u>(47,942,985)</u>
	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>

- (iii) In the current year, the provision for bad debts of account receivables was RMB9,421,178, the book balance of account receivables was RMB1,384,483, and the bad debt provision wrote-off was RMB1,384,483, which is the amount receivable by the third party Qingdao Hongtu Logistics Co., LTD. ("Hongtu Logistics") of the Group. The court has completed the judgment and auctioned the sued inventory of Hongtu Logistics in this year. And reimburse the Group with the proceeds of the auction. The amount of provision for bad debts transferred out in the current year due to the disposal of subsidiaries Tongbao Shipping, Qingdao Port Engineering and Technology Company was RMB77,233,038.
- (e) The book balance of accounts receivable that were written off in the current year was RMB8,623,712, and the provision for bad debts was RMB8,623,712. Such accounts receivable was receivables from the third-party Qingdao Youya Investment Co., Ltd. ("Youya Investment") by QDP Logistics, a subsidiary of the Group. As Youya Investment had been liquidated and cancelled, and the amount could not be recovered, so the Group wrote off the amount.
- (f) As at 31 December 2021, the Group had no pledged accounts receivable (As at 31 December 2020: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Financing receivables

	31 December 2021	31 December 2020
Bank acceptance notes	<u>376,792,050</u>	<u>528,732,800</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 2021, the Group measured the provision for bad debts based on the entire lifetime expected credit loss. As the credit risk characteristics of these bank acceptance notes were similar, no provision for impairment was made individually. The Group expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.
- (b) As at 31 December 2021, the Group had no pledged bank acceptance notes (As at 31 December 2020: nil).
- (c) As at 31 December 2021, the bank acceptance notes that the Group has endorsed or discounted but have not yet expired amounted to RMB404,056,717 (31 December 2020: RMB462,524,503) and has been derecognized.

(6) Advances to suppliers

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

	<u>31 December 2021</u>		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>107,592,257</u>	<u>100.00%</u>	<u>102,314,994</u>	<u>100.00%</u>

- (b) As at 31 December 2021, 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>21,702,260</u>	<u>20.17%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables

	31 December 2021	31 December 2020
Loans provided to related parties and third parties (i)	2,701,138,523	1,460,577,659
Advance payment for targeted procurement business (ii)	2,093,737,393	446,691,494
Receivables and advances of agent business (iii)	465,492,097	332,245,278
Equity transfer payment (iv)	261,903,564	—
Deposits and guarantees	40,699,537	44,961,001
Supplementary medical welfare pooling funds(v)	32,105,790	—
Dividends receivable	15,252,568	15,591,695
Lease payments receivable of operating lease	2,547,289	1,755,377
Others	31,832,698	12,579,546
	<u>5,644,709,459</u>	<u>2,314,402,050</u>
Less: Provision for bad debts	<u>(47,605,341)</u>	<u>(41,210,426)</u>
	<u>5,597,104,118</u>	<u>2,273,191,624</u>

- (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) The equity transfer payment were RMB209,522,851 and RMB52,380,713 prepaid refundable payments of haiye oil terminal receivable from Qingdao Haiye Petroleum Co., Ltd. ("Haiye Petroleum") and Qingdao Yiruiyuan Trading Co., Ltd. ("Yiruiyuan Trading") respectively by the Group due to suspension of the equity transfer transaction.
- (v) Supplementary medical welfare pooling funds are the prepaid funds deposited into the account of Shandong Branch of Ping An Endowment Insurance Co., Ltd.
- (a) **The ageing of other receivables based on their recording dates is analyzed as follows:**

	31 December 2021	31 December 2020
Within 1 year	5,541,052,524	2,151,795,253
1 to 2 years	9,722,354	157,937,482
2 to 3 years	93,273,747	700,321
More than 3 years	660,834	3,968,994
	<u>5,644,709,459</u>	<u>2,314,402,050</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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				Total
	ECL over the next 12 months (on the grouping basis)		ECL over the next 12 months (on the individual basis)		
	Amount	Provision for bad debts	Amount	Provision for bad debts	
31 December 2020	2,314,402,050	(41,210,426)	—	—	(41,210,426)
Increase in the current year	3,078,389,339	(8,715,374)	261,903,564	—	(8,715,374)
Disposal of subsidiaries	(9,985,494)	2,320,459	—	—	2,320,459
31 December 2021	<u>5,382,805,895</u>	<u>(47,605,341)</u>	<u>261,903,564</u>	<u>—</u>	<u>(47,605,341)</u>

As at 31 December 2021 and 31 December 2020, the Group did not have any other receivables which were at Stage 2 or Stage 3. Other receivables at Stage 1 are analysed as follows:

- (i) As at 31 December 2021, the analysis of other receivables for the provision for bad debts on an individual basis is as follows:

	Amount	ECL rate over the next 12 months	Provision for bad debts	Reason
Receivable Equity transfer payment	<u>261,903,564</u>	<u>—</u>	<u>—</u>	i)

- i) As at 31 December 2021, the receivable equity transfer payments were RMB209,522,851 and RMB52,380,713 prepaid refundable payments of haiye oil terminal receivable from Qingdao Haiye Petroleum Co., Ltd. (“Haiye Petroleum”) and Qingdao Yiruiyuan Trading Co., Ltd. (“Yiruiyuan Trading”) respectively by the Group. Due to the suspension of the equity transaction, pursuant to the agreement between the Group and the other party, the payment will be returned in January 2022. The Group believes that there is no risk of bad debt and no provision for bad debt is required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 (Continued)

(ii) As at 31 December 2021, all other receivables for the provision for bad debts on the grouping basis are in the first stage, the analysis is as follows:

	31 December 2021			31 December 2020		
	Ending balance	Provision for bad debts	% of	Ending balance	Provision for bad debts	% of
	Amount	Amount	total balance	Amount	Amount	total balance
Loans and advances combinations	4,794,875,916	(18,272,885)	0.38%	1,907,269,153	(19,128,158)	1.00%
Agency business and receivables combinations	465,492,097	(23,658,299)	5.08%	332,245,278	(19,508,753)	5.87%
Deposit combinations	40,699,537	(613,972)	1.51%	44,961,001	(728,097)	1.62%
Dividend receivable combinations	15,252,568	—	—	15,591,695	—	—
Other combinations	66,485,777	(5,060,185)	7.61%	14,334,923	(1,845,418)	12.87%
	<u>5,382,805,895</u>	<u>(47,605,341)</u>		<u>2,314,402,050</u>	<u>(41,210,426)</u>	

(c) The provision for bad debts in the current year amounted to RMB8,715,374. There were no written off of the Group's provision for bad debts for the current year. The amount of provision for bad debts transferred out in the current year due to the disposal of subsidiaries Tongbao Shipping, Qingdao Port Engineering and Technology Company was RMB2,320,459.

(d) As at 31 December 2021, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Shandong Port International Trade Group Qingdao Co., Ltd.	Loans	1,198,613,894	Within 1 year	21.23%	(32,315)
Qingdao Bei'angsi Energy Co., Ltd.	Targeted procurement business and advance payment	1,089,253,184	Within 1 year	19.30%	(3,709,098)
Jining Mining Industry Group Co., Ltd. Marketing branch	Targeted procurement business and advance payment	438,300,841	Within 1 year	7.76%	(1,492,491)
Qingdao Dayuan Petroleum Energy Co., Ltd.	Targeted procurement business and advance payment	223,749,912	Within 1 year	3.96%	(761,908)
Qingdao Port Investment and Construction (Group) Co., Ltd.	Loans and others	329,846,248	Within 1 year	5.84%	(6,896)
		<u>3,279,764,079</u>		<u>58.09%</u>	<u>(6,002,708)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

- (e) As at 31 December 2021 and 31 December 2020, the Group did not recognise government grants at amounts receivable.
- (f) As at 31 December 2021, the Group had other receivables pledged with a book value of RMB175,950,000 as collateral for its factoring borrowings of RMB50,000,000 (as at 31 December 2020, nil) (Note 4(29)(iv)).

(8) Inventories

- (a) Inventories are summarized by categories as follows:

	31 December 2021			31 December 2020		
	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	92,633,172	—	92,633,172	101,766,939	—	101,766,939
Fuel	20,935,617	—	20,935,617	26,817,935	—	26,817,935
Spare parts	3,507,225	—	3,507,225	2,270,698	—	2,270,698
Others	9,295,453	—	9,295,453	6,471,706	—	6,471,706
	<u>126,371,467</u>	<u>—</u>	<u>126,371,467</u>	<u>137,327,278</u>	<u>—</u>	<u>137,327,278</u>

- (b) Changes in ending balances of inventories for current year are analyzed as follows:

	31 December 2020	Increase in the current year	Decrease in the current year	Disposal of subsidiaries	31 December 2021
Materials and finished goods	101,766,939	1,398,568,035	(1,348,342,942)	(59,358,860)	92,633,172
Fuel	26,817,935	350,341,784	(356,224,102)	—	20,935,617
Spare parts	2,270,698	40,211,662	(38,862,160)	(112,975)	3,507,225
Others	6,471,706	82,884,751	(79,699,046)	(361,958)	9,295,453
	<u>137,327,278</u>	<u>1,872,006,232</u>	<u>(1,823,128,250)</u>	<u>(59,833,793)</u>	<u>126,371,467</u>

- (c) As at 31 December 2021 and 31 December 2020, 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 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Contract assets

	31 December 2021	31 December 2020
Contract assets	435,448,000	64,382,560
Less: Provision for contract assets	<u>(10,152,002)</u>	<u>(1,552,117)</u>
	<u>425,295,998</u>	<u>62,830,443</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 2021 and 31 December 2020, 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 2021	31 December 2020
Other debt investments		
– Certificates of interbank deposits (i)	929,212,100	2,224,427,170
VAT input to be deducted	298,564,549	253,708,778
Stock account funds (ii)	2,111,479	—
Debt investments		
– Financial assets held under resale agreement	—	400,101,476
– Income certificates	—	221,810,694
	<u>1,229,888,128</u>	<u>3,100,048,118</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 2021, the original value of the interbank deposits was RMB924,746,150 and changes in fair value recorded in other comprehensive income was RMB4,465,950.

(ii) As at 31 December 2021, stock account funds of other current assets were the funds held in the stock account of Lianjie Logistics, a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term receivables

	31 December 2021	31 December 2020
Loans provided to related parties(i)	1,641,036,481	1,669,198,483
Sale and leaseback to related parties(ii)	1,843,750,701	1,773,141,757
Less: Current portion	<u>(850,415,843)</u>	<u>(60,310,383)</u>
	2,634,371,339	3,382,029,857
Impairment provision	(88,869,455)	(74,807,729)
Less: Current portion	<u>12,121,725</u>	<u>1,182,542</u>
	(76,747,730)	<u>(73,625,187)</u>
	<u>2,557,623,609</u>	<u>3,308,404,670</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 2020	3,442,340,240	(74,807,729)
Increase in the current year	356,629,155	(10,545,645)
Write-off in the current year	(314,182,213)	2,472,888
Increase of provision for bad debt in the current year (i)	<u>—</u>	<u>(5,988,969)</u>
31 December 2021	<u>3,484,787,182</u>	<u>(88,869,455)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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)

- (i) Excluding additions and decreases in the current year, the change in allowance for bad debt provisions due to changes in parameters and data used to determine expected credit losses is RMB5,988,969.

As at 31 December 2021 and 31 December 2020, 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 2021			31 December 2020		
	Ending balance	Provision for bad debts	% of total balance	Ending balance	Provision for bad debts	% of total balance
	Amount	Amount		Amount	Amount	
Loans and advances combinations	<u>3,484,787,182</u>	<u>(88,869,455)</u>	2.55%	<u>3,442,340,240</u>	<u>(74,807,729)</u>	2.17%

(12) Long-term equity investments

	31 December 2021	31 December 2020
Joint ventures (a)	<u>9,051,787,032</u>	9,126,041,249
Associates (b)	<u>963,566,257</u>	745,712,702
	<u>10,015,353,289</u>	<u>9,871,753,951</u>

As at 31 December 2021 and 31 December 2020, 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 2021
(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 2020	Movements for the current year					31 December 2021
		Decrease in investment	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" (ii))	5,421,481,038	—	828,080,885	(5,021,692)	(471,131,207)	908,049	5,774,317,073
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,697,303,849	—	359,707,612	—	(765,432,381)	3,438,621	1,295,017,701
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	416,631,907	—	1,572,402	—	(5,100,000)	(1,086,793)	412,017,516
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	160,506,225	—	13,534,647	—	—	2,600,385	176,641,257
Qingdao Evergreen Container Storage and Transportation Co., Ltd. ("Evergreen Container")	47,731,619	—	18,768,278	5,235	(17,331,992)	—	49,173,140
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	44,040,346	—	5,342,297	—	(5,657,884)	—	43,724,759
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	155,799,401	—	1,152,800	—	—	—	156,952,201
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	5,144,621	—	161,366	—	—	—	5,305,987
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	23,624,273	—	11,673,175	—	(17,330,539)	—	17,966,909
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	10,042,164	—	125,903	—	—	—	10,168,067
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	29,320,117	—	2,110,793	—	(1,860,513)	—	29,570,397
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	116,977,222	—	4,327,074	—	—	—	121,304,296
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	67,874,928	—	(21,231)	—	—	—	67,853,697
QDOT	692,250,868	—	(33,237,839)	—	—	547,208	659,560,237
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,287,954	—	25,630	—	—	—	4,313,584
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	51,914,944	—	(279,474)	—	—	—	51,635,470
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	8,012,785	—	3,241,371	—	(2,157,963)	—	9,096,193
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	6,790,024	(8,633,973)	1,843,949	—	—	—	—
Qingdao PetroChina Storage Company Limited ("PetroChina Storage")	146,658,360	—	1,045,492	—	—	—	147,703,852
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	1,734,098	—	1,166,946	—	(987,012)	—	1,914,032
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics")	17,914,506	—	1,840,904	—	(2,204,746)	—	17,550,664
	<u>9,126,041,249</u>	<u>(8,633,973)</u>	<u>1,222,182,980</u>	<u>(5,016,457)</u>	<u>(1,289,194,237)</u>	<u>6,407,470</u>	<u>9,051,787,032</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 interest 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 interest 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 interest 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.

Information of interests in joint ventures are set out in Note 6(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2020	Movements for the current year				31 December 2021
		Transfer from subsidiaries	Additional investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	114,484,004	—	—	12,958,078	—	127,442,082
Vado Investment	72,270,671	—	20,849,383	(9,211,700)	—	83,908,354
Unitrans Group Co., Ltd. ("Unitrans")	125,697,776	—	—	20,818,357	(15,186,872)	131,329,261
COSCO SHIPPING Ports (Abu Dhabi) Co., Ltd. ("COSCO Abu Dhabi")	420,207,777	—	—	(89,830,683)	—	330,377,094
Shandong Port Energy Co., Ltd. ("Shandong Port Energy")	12,562,474	—	—	1,079,663	—	13,642,137
Shandong Port Overseas Development Group Qingdao Co., Ltd. ("Overseas Development Qingdao")	490,000	—	4,410,000	24,793	—	4,924,793
QDP CTC (i)	—	11,818,675	—	26,288	—	11,844,963
Global Shipping Business Network Limited ("GSBN") (ii)	—	—	6,490,400	—	—	6,490,400
Qingdao Port Engineering (iii)	—	190,254,747	—	12,582,426	—	202,837,173
Technology Company (iv)	—	50,770,000	—	—	—	50,770,000
	<u>745,712,702</u>	<u>252,843,422</u>	<u>31,749,783</u>	<u>(51,552,778)</u>	<u>(15,186,872)</u>	<u>963,566,257</u>

- (i) On 12 May 2021, QDP Logistics, a subsidiary of QDP International, signed an equity transfer agreement to transfer 51% equity it held in QDP CTC to Shandong Board of Trade ("Shandong Board"), and 20% equity it held to Shandong Port International Trade Group Qingdao Co., Ltd. ("SDP International Trade Qingdao Company"). After the completion of registration of changes, QDP Logistics, which held 29% equity in QDP CTC, lost control over QDP CTC, but QDP Logistics had a significant influence on QDP CTC, so QDP CTC was changed from a subsidiary to an associate.
- (ii) In 2021, GSBN was jointly established by QDP International, COSCO Container Lines (Hong Kong) Co., Ltd., Cosco Shipping Ports Limited, Hapag-Lloyd Co., Ltd., Hutchison Port Holdings Limited, The Orient Overseas Container Line, PSA International and Shanghai International Port Group (HK) Co., Limited with a registered capital of USD8,000,000. Each party contributed USD1,000,000 with a shareholding of 12.5%. QDP International only had a significant influence on GSBN, so it was accounted as an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(b) Associates (Continued)

- (iii) On 9 November 2021, QDP International invested RMB183,487,800 in Shandong Harbour Construction at the price of 51% equity interests of Qingdao Port Engineering, and acquired 9.62% of the share capital of Shandong Harbour Construction after capital increase. After the completion of the capital contribution, QDP International lost control over Qingdao Port Engineering, but having a significant influence on Qingdao Port Engineering, so Qingdao Port Engineering was changed from a subsidiary to an associate.
- (iv) On 27 December 2021, Shandong Port Technology Group Co., Ltd. (“Shandong Port Technology”) increased the capital of the Technology Company by RMB52,842,245 in cash, accounting for 51% of the share capital of Technology Company after capital increase. After the completion of the capital contribution, QDP International lost control over Technology Company, but having a significant influence on Technology Company, so Technology Company was changed from a subsidiary to an associate.

Information on equity in associates is set out in Note 6(2).

(13) Other non-current financial assets

	31 December 2021	31 December 2020
Investments in financial assets at fair value through profit or loss		
Financial bonds(i)	604,816,660	514,100,589
Equity investments (ii)	<u>292,351,677</u>	<u>72,207,877</u>
	<u>897,168,337</u>	<u>586,308,466</u>

- (i) Other non-current financial assets with a carrying amount of RMB604,816,660 were mainly bank financial bonds purchased by Qingdao Finance, a subsidiary of the Company.
- (ii) Equity investment with a carrying amount of RMB292,351,677 represents unlisted equity investments held by the Company in Shandong Harbour Construction, Shandong Binhai Hongrun Pipeline stock limited, Shandong Port Shipping Group Co., Ltd. (“Shandong Port Shipping”), Sinopec Qingdao Liquefied Natural Gas Co., Ltd. (“LNG”) and Sanya Yalong Bay Development Co., Ltd. (“Sanya Yalong Bay”) with shareholding of 9.62%, 10%, 11.02%, 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 2021, the Company received cash dividends of RMB3,722,100 from LNG.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Investment properties

	Buildings and port facilities	Land use rights	Total
Cost			
31 December 2020	44,811,262	158,364,497	203,175,759
Transfer from fixed assets	11,764,350	—	11,764,350
	<u>56,575,612</u>	<u>158,364,497</u>	<u>214,940,109</u>
31 December 2021	<u>56,575,612</u>	<u>158,364,497</u>	<u>214,940,109</u>
Accumulated depreciation			
31 December 2020	(9,992,751)	(22,660,105)	(32,652,856)
Increase in the current year	(1,567,355)	(3,160,752)	(4,728,107)
Transfer from fixed assets	(3,919,775)	—	(3,919,775)
	<u>(15,479,881)</u>	<u>(25,820,857)</u>	<u>(41,300,738)</u>
31 December 2021	<u>(15,479,881)</u>	<u>(25,820,857)</u>	<u>(41,300,738)</u>
Net book value			
31 December 2021	<u>41,095,731</u>	<u>132,543,640</u>	<u>173,639,371</u>
31 December 2020	<u>34,818,511</u>	<u>135,704,392</u>	<u>170,522,903</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Investment properties (Continued)

	Buildings and port facilities	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>

As at 31 December 2021 and 31 December 2020, 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 2021 and 2020, no interest expenses were capitalized in investment properties by the Group.

As at 31 December 2021 and 2020, there were no investment properties without certificates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 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
Increase in the current year										
Purchase in the current year	923,974	16,491,004	7,540,879	53,042,475	46,736,937	—	17,859,334	34,817,283	7,008,727	184,420,613
Transfer from construction in progress	62,390,599	800,012,126	1,341,236,769	65,659,077	77,197,125	—	300,310	6,515,136	331,567	2,353,642,709
Transfer from right-of-use assets	—	—	—	105,667,618	—	—	—	—	—	105,667,618
Decrease in the current year										
Transfer to investment properties	—	—	(11,764,350)	—	—	—	—	—	—	(11,764,350)
Disposal and scrapping	—	(45,505)	(14,550)	(33,210,897)	(4,268,990)	(3,388,122)	(1,406,064)	(89,384)	(222,802)	(42,646,314)
Disposal of subsidiaries	(16,276,170)	—	(479,733)	(10,604,978)	(42,819,496)	(17,130,000)	(6,199,190)	(772,129)	(3,107,058)	(97,388,754)
31 December 2021	1,038,173,627	12,759,284,728	6,996,026,064	3,185,524,775	1,171,478,263	1,446,641,988	139,025,849	219,389,388	87,766,262	27,043,310,944
Accumulated depreciation										
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)
Increase in the current year										
Provision	(36,080,814)	(350,285,686)	(203,794,129)	(87,766,991)	(98,395,649)	(61,462,274)	(7,521,565)	(19,961,667)	(6,573,477)	(871,842,252)
Transfer from right-of-use assets	—	—	—	(54,985,263)	—	—	—	—	—	(54,985,263)
Decrease in the current year										
Transfer to investment properties	—	—	3,919,775	—	—	—	—	—	—	3,919,775
Disposal and scrapping	—	26,503	13,739	29,114,419	4,090,213	3,218,716	1,372,551	85,810	191,684	38,113,635
Disposal of subsidiaries	2,416,875	—	460,544	8,239,141	19,938,435	4,520,325	3,728,831	544,628	1,755,844	41,604,623
31 December 2021	(293,437,801)	(3,011,570,320)	(1,428,765,982)	(2,633,056,662)	(760,298,330)	(804,478,958)	(88,607,672)	(157,850,223)	(48,372,589)	(9,226,438,537)
Net book value										
31 December 2021	744,735,826	9,747,714,408	5,567,260,082	552,468,113	411,179,933	642,163,030	50,418,177	61,539,165	39,393,673	17,816,872,407
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 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	3,333,504	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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	Loading equipment	Machinery and equipment	Other equipment	total
Cost							
31 December 2020	26,984,361	2,187,267,267	924,917,845	—	—	93,923	3,139,263,396
Increase in the current year	—	—	—	26,640,018	1,039,636	—	27,679,654
31 December 2021	26,984,361	2,187,267,267	924,917,845	26,640,018	1,039,636	93,923	3,166,943,050
Accumulated depreciation							
31 December 2020	(9,280,264)	(425,294,255)	(161,951,332)	—	—	(86,194)	(596,612,045)
Provision	(1,325,752)	(62,996,066)	(23,857,235)	(11,896,702)	(950,119)	—	(101,025,874)
31 December 2021	(10,606,016)	(488,290,321)	(185,808,567)	(11,896,702)	(950,119)	(86,194)	(697,637,919)
Net book value							
31 December 2021	16,378,345	1,698,976,946	739,109,278	14,743,316	89,517	7,729	2,469,305,131
31 December 2020	17,704,097	1,761,973,012	762,966,513	—	—	7,729	2,542,651,351

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 2021 is RMB871,842,252 (For the year ended 31 December 2020: RMB762,254,060). The amounts of depreciation expenses charged to cost of sales, general expenses and research and development expenditure were RMB844,331,402, RMB24,854,553 and RMB2,656,297 respectively (For the year ended 31 December 2020: RMB738,925,442, RMB23,328,618 and RMB0).

For the year ended 31 December 2021, the costs of fixed assets transferred from construction in progress amount to RMB2,353,642,709 (For the year ended 31 December 2020: RMB1,916,747,103).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

- (a) As at 31 December 2021 and 31 December 2020, there is no mortgaged fixed assets in the Group.
- (b) As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, there were no temporarily idle fixed assets.
- (d) Fixed assets that have not received a certificate of property right:

As at 31 December 2021, properties with a carrying amount of RMB11,825,268 (Cost: RMB13,584,342) (As at 31 December 2020: book value of RMB21,275,335 (Cost: RMB23,905,456)) are located on non-owned land. The financial statements for the completion of the properties with a book value of RMB155,718,950 (Cost: RMB162,929,677) (As at 31 December 2020: book value of RMB216,685,292, cost of RMB221,014,767) have not yet been processed, so the property right certificate has not yet been processed.

(16) Construction in progress

	31 December 2021			31 December 2020		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	496,308,651	—	496,308,651	1,088,880,896	—	1,088,880,896
Dongjiakou crude oil commercial reserve project	796,153,861	—	796,153,861	1,060,900,260	—	1,060,900,260
Dongjiakou bulk cargo berths and storage yard project	1,006,808,739	—	1,006,808,739	550,421,248	—	550,421,248
Dongjiakou general wharf grain silo phase II project	757,791,564	—	757,791,564	129,025,524	—	129,025,524
Other projects	366,062,420	—	366,062,420	239,674,346	—	239,674,346
	<u>3,423,125,235</u>	<u>—</u>	<u>3,423,125,235</u>	<u>3,068,902,274</u>	<u>—</u>	<u>3,068,902,274</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2020	Increase in the current year	Transfer to fixed assets	Disposal of subsidiaries	31 December 2021	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	4,647,979,000	1,088,880,896	311,653,554	(904,225,799)	—	496,308,651	92%	92%	—	—	—	Internal capital
Dongjiakou crude oil commercial reserve project	4,480,000,000	1,060,900,260	1,066,137,072	(1,330,883,471)	—	796,153,861	47%	47%	—	—	—	Internal capital Internal capital, bank loan and raised funds
Dongjiakou bulk cargo berths and storage yard project	2,677,366,000	550,421,248	461,404,812	(5,017,321)	—	1,006,808,739	64%	64%	31,638,021	341,516	4.90%	Internal capital
Dongjiakou general wharf grain silo phase II project	798,259,500	1,280,252,524	628,766,040	—	—	757,791,564	95%	95%	—	—	—	Internal capital
Other projects	239,674,346	239,674,346	240,290,032	(113,516,118)	(385,840)	366,062,420	—	—	—	—	—	Internal capital
		<u>3,068,902,274</u>	<u>2,708,251,510</u>	<u>(2,353,642,709)</u>	<u>(385,840)</u>	<u>3,423,125,235</u>			<u>31,638,021</u>	<u>341,516</u>		
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 Internal capital, bank loan and raised funds
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
Dongjiakou general wharf grain silo phase II project	798,259,500	—	129,025,524	—	—	129,025,524	16%	16%	—	—	—	Internal capital
Other projects	214,055,512	214,055,512	189,885,142	3,668,382	(167,934,720)	239,674,346	—	—	—	—	—	Internal capital
		<u>2,510,614,143</u>	<u>2,471,366,852</u>	<u>3,668,382</u>	<u>(1,916,747,103)</u>	<u>3,068,902,274</u>			<u>31,361,444</u>	<u>691,579</u>		

As at 31 December 2021 and 31 December 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2020	1,871,306	30,740,178	214,588,497	135,464,068	91,439,655	474,103,704
Increase in the current year						
New lease contracts	180,078,777	—	27,443,532	—	—	207,522,309
Decrease in the current year						
Lease change	—	—	(15,060,412)	—	—	(15,060,412)
Transfer to fixed assets	—	—	—	(105,667,618)	—	(105,667,618)
31 December 2021	181,950,083	30,740,178	226,971,617	29,796,450	91,439,655	560,897,983

Accumulated depreciation						
31 December 2020	(883,673)	(3,767,383)	(83,451,070)	(64,527,558)	(9,651,964)	(162,281,648)
Increase in the current year						
Provision	(27,080,356)	(1,965,591)	(51,806,274)	(2,860,466)	(4,825,981)	(88,538,668)
Decrease in the current year						
Lease change	—	—	5,795,957	—	—	5,795,957
Transfer to fixed assets	—	—	—	54,985,263	—	54,985,263
31 December 2021	(27,964,029)	(5,732,974)	(129,461,387)	(12,402,761)	(14,477,945)	(190,039,096)

Net book value						
31 December 2021	153,986,054	25,007,204	97,510,230	17,393,689	76,961,710	370,858,887
31 December 2020	987,633	26,972,795	131,137,427	70,936,510	81,787,691	311,822,056

	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						
Transfer to fixed assets	—	(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						
Transfer to fixed assets	—	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2020	2,943,642,848	157,296,587	76,548,790	50,178,663	3,227,666,888
Increase in the current year					
Purchase	3,054,975	2,458,234	49,391,000	21,680	54,925,889
Internal research and development	—	6,110,293	—	—	6,110,293
Decrease in the current year					
Disposal of subsidiaries	(216,667)	(1,138,200)	—	—	(1,354,867)
Others	—	(17,257,510)	(1,362,580)	—	(18,620,090)
31 December 2021	2,946,481,156	147,469,404	124,577,210	50,200,343	3,268,728,113
Accumulated amortization					
31 December 2020	(189,808,695)	(74,392,269)	(7,667,622)	(41,282,308)	(313,150,894)
Increase in the current year					
Provision	(60,160,580)	(24,940,581)	(2,195,027)	(3,010,586)	(90,306,774)
Decrease in the current year					
Disposal of subsidiaries	31,111	957,830	—	—	988,941
Others	—	12,135,562	1,362,580	—	13,498,142
31 December 2021	(249,938,164)	(86,239,458)	(8,500,069)	(44,292,894)	(388,970,585)
Book value					
31 December 2021	2,696,542,992	61,229,946	116,077,141	5,907,449	2,879,757,528
31 December 2020	2,753,834,153	82,904,318	68,881,168	8,896,355	2,914,515,994

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 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

For the year ended 31 December 2021, the amount of amortization for intangible assets is RMB90,306,774 (For the year ended 31 December 2020: RMB77,610,165), the amount of amortization cost of land use rights recorded in construction in progress is RMB1,578,277 (For the year ended 31 December 2020: RMB1,315,231).

As at 31 December 2021 and 31 December 2020, the group has no land that is still in the process of certificate application.

As at 31 December 2021 and 31 December 2020, there are no pledged land use rights.

As at 31 December 2021 and 31 December 2020, the management of the Group 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 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets (Continued)

The Group's development expenditure are as follows:

	31 December 2020	Increase in current year	Decrease in the current year Recorded in profit and loss	Recognized as intangible assets	31 December 2021
Terminal facilities					
development and software	<u>—</u>	<u>112,825,684</u>	<u>(82,708,843)</u>	<u>(6,110,293)</u>	<u>24,006,548</u>

For the year ended 31 December 2021, the Group's development expenditure amounted to RMB112,825,684 (For the year ended 31 December 2020: RMB62,135,074), of which RMB82,708,843 (For the year ended 31 December 2020: RMB20,178,352) was charged in profit and loss for the current year, of which RMB6,110,293 (For the year ended 31 December 2020: RMB41,956,722) was recognized as intangible assets. As at 31 December 2021, the intangible assets developed by the Group accounted for 1.92% (31 December 2020: 2.52%) of the carrying amount of the total intangible assets.

(19) Goodwill

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Goodwill –				
Red Star Logistics	27,996,716	—	—	27,996,716
Mercurial Logistics	10,129,085	—	—	10,129,085
Gangyuntai Logistics	4,686,830	—	—	4,686,830
Other	<u>10,557,408</u>	—	—	<u>10,557,408</u>
	<u>53,370,039</u>	—	—	<u>53,370,039</u>
Less: Provision for impairment –				
Gangyuntai Logistics	<u>(4,686,830)</u>	—	—	<u>(4,686,830)</u>
	<u>(4,686,830)</u>	—	—	<u>(4,686,830)</u>
	<u>48,683,209</u>	—	—	<u>48,683,209</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Goodwill (Continued)

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 2021. The allocation was summarised by the operating segment as follows:

	31 December 2021	31 December 2020
Liquid bulk cargo handling and ancillary services		
– Red Star Logistics	27,996,716	27,996,716
Metal ore, coal and other cargo handling and ancillary services		
– Mercurial Logistics	10,129,085	10,129,085
Other	<u>15,244,238</u>	<u>15,244,238</u>
	<u>53,370,039</u>	<u>53,370,039</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.

In 2021, 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 11% (As at 31 December 2020: approximately 12%). The growth rate in the forecast period is determined based on the five-year budget average growth rate of approved sales income 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 a fixed growth rate of 3% (As at 31 December 2020: approximately 3%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets revaluation surplus	2,724,692,808	681,173,202	2,791,909,644	697,977,411
Early retirement benefits	130,930,000	32,732,500	57,800,000	14,450,000
Elimination of intra-group unrealized profit	558,810,056	139,702,514	438,703,904	109,675,976
Provision for asset impairment	213,949,200	53,399,826	285,830,815	71,282,554
Accrued expenses	127,146,604	31,786,651	29,965,453	7,491,363
Deductible losses	103,666,757	25,916,689	75,112,459	18,778,115
Government grant	81,312,700	20,328,175	89,054,903	22,263,726
	<u>3,940,508,125</u>	<u>985,039,557</u>	<u>3,768,377,178</u>	<u>941,919,145</u>
Including:				
Expected to be recovered within one year (inclusive)		59,893,231		32,438,145
Expected to be recovered after one year		<u>925,146,326</u>		<u>909,481,000</u>
		<u>985,039,557</u>		<u>941,919,145</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	211,013,280	52,753,320	216,127,024	54,031,756
Depreciation of fixed assets	101,385,224	25,346,306	68,379,520	17,094,880
Changes in fair value of wealth management products	37,483,876	9,370,969	18,017,660	4,504,415
	<u>349,882,380</u>	<u>87,470,595</u>	<u>302,524,204</u>	<u>75,631,051</u>
Including:				
Expected to be recovered within one year (inclusive)		13,411,338		7,400,656
Expected to be recovered after one year		<u>74,059,257</u>		<u>68,230,395</u>
		<u>87,470,595</u>		<u>75,631,051</u>

(c) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analyzed as follows:

	31 December 2021	31 December 2020
Deductible temporary differences	20,975,044	20,008,509
Deductible losses	<u>109,293,915</u>	<u>113,137,421</u>
	<u>130,268,959</u>	<u>133,145,930</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2021	31 December 2020
2023	15,981,891	16,183,390
2024	15,598,845	36,416,032
2025	38,585,216	60,537,999
2026	39,127,963	—
	<u>109,293,915</u>	<u>113,137,421</u>

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2021		31 December 2020	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	(35,597,646)	949,441,911	(21,599,295)	920,319,850
Deferred tax liabilities	(35,597,646)	51,872,949	(21,599,295)	54,031,756

(21) Other non-current assets

	31 December 2021	31 December 2020
Foundation oil (i)	290,316,583	290,316,583
Construction and equipment expenditures prepaid	159,412,505	188,394,022
VAT input to be deducted	207,359,549	179,460,728
Taxes advance receipt from port facilities rental income (ii)	141,900,098	153,385,112
	<u>798,988,735</u>	<u>811,556,445</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Provision for asset impairment

	31 December 2020	Increase in the current year	Decrease in the current year			31 December 2021
			Reversal	Write-off	Disposal of subsidiaries	
Provision for bad debts of notes receivables	2,491,165	—	(1,254,006)	—	(765,544)	471,615
Including: Provision for bad debts on the individual basis	—	—	—	—	—	—
Provision for bad debts on the grouping basis	2,491,165	—	(1,254,006)	—	(765,544)	471,615
Provision for bad debts of accounts receivable	228,186,151	9,421,178	(1,384,483)	(8,623,712)	(77,233,038)	150,366,096
Including: Provision for bad debts on the individual basis	20,008,509	966,535	—	—	—	20,975,044
Provision for bad debts on the grouping basis	208,177,642	8,454,643	(1,384,483)	(8,623,712)	(77,233,038)	129,391,052
Provision for bad debts of other receivables	41,210,426	8,715,374	—	—	(2,320,459)	47,605,341
Including: Provision for bad debts on the individual basis	—	—	—	—	—	—
Provision for bad debts on the grouping basis	41,210,426	8,715,374	—	—	(2,320,459)	47,605,341
Provision for impairment of long-term receivables	74,807,729	16,534,614	(2,472,888)	—	—	88,869,455
Subtotal	346,695,471	34,671,166	(5,111,377)	(8,623,712)	(80,319,041)	287,312,507
Goodwill impairment provision	4,686,830	—	—	—	—	4,686,830
Provision for impairment of contract assets	1,552,117	8,759,366	—	—	(159,481)	10,152,002
Subtotal	6,238,947	8,759,366	—	—	(159,481)	14,838,832
	<u>352,934,418</u>	<u>43,430,532</u>	<u>(5,111,377)</u>	<u>(8,623,712)</u>	<u>(80,478,522)</u>	<u>302,151,339</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Short-term borrowings

	Currency	31 December 2021	31 December 2020
Unsecured borrowings	USD	1,419,839,451	94,611,050
Unsecured borrowings	RMB	—	40,176,451
Interest payable	RMB&USD	8,476,266	345,805
		<u>1,428,315,717</u>	<u>135,133,306</u>

As at 31 December 2021, the interest rate of short-term borrowings ranges from 0.95% to 2.05% (31 December 2020: 1.99% to 4.60%).

(24) Notes payable

	31 December 2021	31 December 2020
Trade acceptance notes	691,178,534	599,220,742
Bank acceptance notes	526,845,029	290,959,891
	<u>1,218,023,563</u>	<u>890,180,633</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Accounts payable

	31 December 2021	31 December 2020
Material expenditure payable	678,169,255	559,858,519
Agency fee payable	226,014,771	148,311,874
Transportation expenses payable	201,344,369	161,752,196
Subcontract costs payable	145,071,011	145,708,481
Repair expenses payable	70,669,768	58,679,269
Subcontract handling expenses payable	52,394,966	48,496,803
Rental expenses payable	24,393,703	21,190,163
Others	56,876,308	53,293,383
	<u>1,454,934,151</u>	<u>1,197,290,688</u>

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

	31 December 2021	31 December 2020
Within 1 year	1,402,036,511	1,114,693,166
Over 1 year	52,897,640	82,597,522
	<u>1,454,934,151</u>	<u>1,197,290,688</u>

Accounts payable is mainly recorded on the basis of the date of business occurrence, and the aging shown on the date of entry is basically the same as that shown on the date of invoice.

As at 31 December 2021, accounts payable over one year amounted to RMB52,897,640 (31 December 2020: RMB82,597,522), which were mainly subcontract costs payable for unsettled constructions.

(26) Contract liabilities

	31 December 2021	31 December 2020
Loading fee received in advance	105,151,933	62,525,759
Logistic fee received in advance	58,035,843	18,961,822
Tug fees collected in advance	11,724,049	10,684,724
Material fee received in advance	9,659,412	6,971,873
Construction fee received in advance	7,782,403	38,880,967
Information maintenance fee received in advance	—	7,429,204
Others	3,791,333	3,238,815
	<u>196,144,973</u>	<u>148,693,164</u>

The balance of the Group's contract liabilities amounted to RMB148,693,164 included in the carrying amount on 31 December 2020 (For the year ended 31 December 2020: RMB245,532,722) has been recognized into revenue from main operations for the year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable

	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	347,925,612	292,745,994
Defined contribution plans payable (b)	6,110,054	5,640,038
Termination benefits payable (c)	39,270,000	11,230,000
Defined benefit plans payable (d)	<u>130,800,000</u>	<u>130,400,000</u>
	<u>524,105,666</u>	<u>440,016,032</u>

(a) Short-term employee benefits

	31 December 2020	Increase in the current year	Decrease in the current year	Disposal of subsidiaries	31 December 2021
Wages and salaries, bonus, allowances and subsidies	245,826,688	1,379,270,707	(1,327,599,222)	(9,082,241)	288,415,932
Employee welfare	21,342	122,579,703	(122,347,334)	—	253,711
Social security contributions	—	97,477,692	(97,477,692)	—	—
Including: Medical insurance	—	94,639,219	(94,639,219)	—	—
Work injury insurance	—	2,820,782	(2,820,782)	—	—
Maternity insurance	—	17,691	(17,691)	—	—
Housing fund	34,635	122,510,170	(122,536,423)	(8,382)	—
Labor union funds and employee education funds	7,836,437	33,919,449	(32,717,298)	(296,191)	8,742,397
Outsourcing costs	39,021,892	557,182,104	(545,652,533)	(309,042)	50,242,421
Others	5,000	50,237,205	(49,971,054)	—	271,151
	<u>292,745,994</u>	<u>2,363,177,030</u>	<u>(2,298,301,556)</u>	<u>(9,695,856)</u>	<u>347,925,612</u>

(b) Defined contribution plans

	31 December 2020	Increase in the current year	Decrease in the current year	Disposal of subsidiaries	31 December 2021
Basic pensions	—	171,580,567	(171,580,567)	—	—
Unemployment insurance	—	7,501,553	(7,501,553)	—	—
Enterprise annuity	5,640,038	86,067,412	(85,500,723)	(96,673)	6,110,054
	<u>5,640,038</u>	<u>265,149,532</u>	<u>(264,582,843)</u>	<u>(96,673)</u>	<u>6,110,054</u>

Monthly payments of premiums on the basic pensions and unemployment insurance are calculated according to the bases and percentage prescribed by local authorities of Ministry of Human Resource and Social Security, and the payment shall not be used to offset the amount that the Group shall pay to its employees in the future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable (Continued)

(c) Termination benefits payable

	31 December 2021	31 December 2020
Early retirement benefits payable (Current portion)	<u>39,270,000</u>	<u>11,230,000</u>

Early retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note4(35)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	31 December 2021	31 December 2020
Supplemental retirement benefits (Current portion)	<u>130,800,000</u>	<u>130,400,000</u>

Supplemental retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note4(35)), the current portion of which is presented as employee benefits payable.

(28) Taxes payable

	31 December 2021	31 December 2020
Enterprise income tax payable	211,713,977	219,081,420
Unpaid VAT	28,026,370	16,477,279
Land use tax payable	15,215,660	14,202,650
Property tax payable	2,470,868	2,180,674
Individual income tax payable	2,339,033	1,211,066
Stamp duty payable	1,717,338	1,379,807
Others	<u>2,612,455</u>	<u>1,844,145</u>
	<u>264,095,701</u>	<u>256,377,041</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Other payables

	31 December 2021	31 December 2020
Customer deposits by Qingdao Finance (i)	7,342,617,187	6,357,314,626
Construction and equipment expenditures payable (ii)	2,297,848,017	1,963,945,785
Payables and advances from agent business (iii)	700,752,214	624,260,853
Dividends payable	193,109,828	110,535,373
Guarantees and deposits payable	140,602,546	124,585,777
Factoring borrowings payable (iv)	50,009,722	—
Interest of customer deposits by Qingdao Finance (i)	27,779,551	27,099,914
Rail freight collected on behalf	8,640,883	52,332,945
Borrowings from minority shareholders	—	41,093,824
Others	125,327,383	119,889,000
	<u>10,886,687,331</u>	<u>9,421,058,097</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) The factoring borrowings are the factoring borrowings obtained by Guomao Logistics by pledging other receivables (Note 4(7)(f)).
- (a) As at 31 December 2021, other payables over 1 year of RMB702,346,337 (31 December 2020: RMB479,302,048) were mainly construction and equipment expenditures payable which remain outstanding as are not due.

(30) Current portion of non-current liabilities

	31 December 2021	31 December 2020
Current portion of lease liabilities (Note 4(32))	108,145,633	84,079,394
Current portion of long-term borrowings (Note 4(31))	74,667,300	30,515,717
Current portion of long-term payables (Note 4(33))	5,700,000	—
Current portion of debentures payable	—	2,174,322,091
	<u>188,512,933</u>	<u>2,288,917,202</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Long-term borrowings

	Currency	31 December 2021	31 December 2020
Unsecured borrowings	EUR	74,087,806	82,887,952
Unsecured borrowings	RMB	—	57,250,687
Interest payable	RMB& EUR	579,494	85,717
Less: Current portion		<u>(74,667,300)</u>	<u>(30,515,717)</u>
		<u>—</u>	<u>109,708,639</u>

As at 31 December 2021, interest rate of the long-term borrowings is 2.60% (31 December 2020: 2.60% to 4.90%).

(32) Lease liability

	31 December 2021	31 December 2020
Lease liabilities	292,583,959	223,188,629
Less: Current portion	<u>(108,145,633)</u>	<u>(84,079,394)</u>
	<u>184,438,326</u>	<u>139,109,235</u>

As at 31 December 2021, 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.

As at 31 December 2021, the future minimum lease payments of short-term leases and low-value asset leases contract adopting the practical expedient according to the new lease standard was RMB245,374.

(33) Long-term payables

	31 December 2021	31 December 2020
Sale-leaseback arrangement deemed as mortgage loan	120,870,833	—
Less: Current portion	<u>(5,700,000)</u>	—
Collection and payment of welfare expenses on behalf of Qingdao Port Group	38,548,556	42,993,544
Less: Current portion of welfare expenses	<u>(1,961,828)</u>	<u>(2,020,000)</u>
	<u>151,757,561</u>	<u>40,973,544</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Deferred revenue

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021	Reason	
Government grants (a)	<u>280,047,491</u>	<u>4,900,300</u>	<u>(16,556,947)</u>	<u>268,390,844</u>	Special funds for outer channel, etc.	
(a) Government grants						
	31 December 2020	Increase in current year	Recorded in other income in the current year	Disposal of subsidiaries	31 December 2021	Assets related/ income related
Special funds for outer channel (i)	123,532,588	—	(3,914,444)	—	119,618,144	Assets related
Special support fund (ii)	71,996,903	—	(9,732,503)	—	62,264,400	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	5,396,500	—	(753,000)	—	4,643,500	Assets related
Others	5,661,500	4,900,300	(797,765)	(1,359,235)	8,404,800	Assets related
	<u>280,047,491</u>	<u>4,900,300</u>	<u>(15,197,712)</u>	<u>(1,359,235)</u>	<u>268,390,844</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 special support fund is the project support fund received by DMT 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 and depreciated on the straight-line basis over its useful life in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable

	31 December 2021	31 December 2020
Early retirement benefits payable (a)	130,930,000	57,800,000
Supplemental retirement benefits payable (b)	2,503,980,000	2,410,390,000
Less: Current portion	<u>(170,070,000)</u>	<u>(141,630,000)</u>
	<u>2,464,840,000</u>	<u>2,326,560,000</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 2021	31 December 2020
Early retirement benefits	130,930,000	57,800,000
Less: Current portion	<u>(39,270,000)</u>	<u>(11,230,000)</u>
	<u>91,660,000</u>	<u>46,570,000</u>

(b) Supplemental retirement benefits of the Group:

	31 December 2021	31 December 2020
Supplemental retirement benefits	2,503,980,000	2,410,390,000
Less: Current portion	<u>(130,800,000)</u>	<u>(130,400,000)</u>
	<u>2,373,180,000</u>	<u>2,279,990,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

(c) Movements for the Group's early retirement benefits are analyzed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Beginning balance	57,800,000	63,420,000
Amount recognized in profit or loss for the current year		
Service cost	103,070,000	5,320,000
Net interest expense on the net obligations	1,540,000	1,860,000
Re-measurement amount	2,990,000	760,000
Personnel transfer	1,580,000	—
Disposal subsidiary personnel transfer out	(630,000)	—
Payment of benefits	<u>(35,420,000)</u>	<u>(13,560,000)</u>
Year end balance	<u>130,930,000</u>	<u>57,800,000</u>

The main assumptions of the group's early retirement benefits payable at the balance sheet date are as follows:

	31 December 2021	31 December 2020
Discount rate – early retirement benefits	2.50%	3.00%
Salary and welfare growth rate – early retirement benefits	10%	10%

(d) Movements for the Group's supplemental retirement benefits are analyzed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Beginning balance	2,410,390,000	2,482,130,000
Amount recognized in profit or loss for the current year		
Service cost	32,000,000	50,990,000
Net interest expense on the net obligations	77,510,000	84,840,000
Re-measurement amount		
Actuarial loss/(gains) for the current year	281,790,000	(106,530,000)
Personnel transfer	6,190,000	—
Disposal subsidiary personnel transfer out	(134,770,000)	(730,000)
Payment of benefits	<u>(169,130,000)</u>	<u>(100,310,000)</u>
Year end balance	<u>2,503,980,000</u>	<u>2,410,390,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

- (e) 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 2021	31 December 2020
Discount rate – supplemental retirement benefits	3.00%	3.50%
Medical benefit growth rate	0-5%	0-5%

The supplemental retirement benefits exposes the Group to various risks, the main risk is the risk of interest rate fluctuations of national debt. A fall in interest rates on Treasury bonds will lead to an increase in debt.

For the year ended 31 December 2021 and 2020, 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 2021	Year ended 31 December 2020
Supplemental retirement benefits –		
Average age	52.35	52.68
Average residual expected future entire duration	30.59	30.21

- (f) 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 the present value of defined benefit plan obligation	
		Increase in assumption	Decrease in assumption
Discount rate – Supplemental retirement benefits	0.25%	3.31% down	3.49% up
Medical benefit growth rate	1%	2.35% up	1.79% 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

- (g) As at 31 December 2021, 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
Supplemental retirement benefits	<u>130,800,000</u>	<u>131,860,000</u>	<u>392,550,000</u>	<u>4,888,710,000</u>	<u>5,543,920,000</u>

- (h) Early retirement benefits and supplemental retirement benefits recognized in profit or loss for the current year are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
General and administrative expenses	138,060,000	57,070,000
Financial expenses	79,050,000	86,700,000

(36) Other non-current liabilities

	31 December 2021	31 December 2020
Lease payments collected in advance	<u>2,482,691,848</u>	<u>2,683,842,524</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Share capital

	31 December 2020	Movements for the current year	31 December 2021
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 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>

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 HKD3.76 (approximately RMB2.99), and the excess was exercised. After the placement option, the share capital increased to 4,778,204,000 shares. In addition, 77,821,000 state-owned shares (equivalent to 10% of the outstanding H-shares) held by Qingdao Port Group were converted into H-shares and transferred to China's National Council for Social Security Fund to be sold as part of the initial public offering and over-allotment. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) 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).

(38) Capital surplus

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
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
Acquisition of minority interests (c)	—	—	(36,737,621)	(36,737,621)
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	17,209,751	—	(5,016,457)	12,193,294
	<u>12,318,673,889</u>	<u>—</u>	<u>(41,754,078)</u>	<u>12,276,919,811</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Capital surplus (Continued)

	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>

- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) 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.

- (c) In 2021, the Company purchased a 49% equity interests in QMT, a subsidiary of the Company, from Datang Shandong Power Generation Co., Ltd. The transaction date of the transaction was 8 June 2021. After the transaction, the Company held 100% equity interests of QMT. The adjustment to capital surplus due to such transaction is set out as below:

Acquisition cost – Cash paid	104,984,754
Less: Share of the identifiable net assets attributable to the Company calculated at the proportion of newly acquired equity interests at the transaction date since the date of consolidation	<u>(68,247,133)</u>
Adjustment of capital surplus	<u><u>36,737,621</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2021					
	31 December 2020	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2021	Amount incurred before income tax for the current year	Less: Other comprehensive income transferred out in the current year	Less: Income tax expenses	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	278,700,602	(287,368,551)	—	(8,667,949)	(281,790,000)	—	—	(287,368,551)	5,578,551
Other comprehensive income that will be subsequently reclassified to profit or loss									
Fair value changes in other debt investments	8,597,673	(5,471,508)	—	3,126,165	4,465,950	(12,282,390)	—	(5,471,508)	(2,344,932)
	<u>287,298,275</u>	<u>(292,840,059)</u>	<u>—</u>	<u>(5,541,784)</u>	<u>(277,324,050)</u>	<u>(12,282,390)</u>	<u>—</u>	<u>(292,840,059)</u>	<u>3,233,619</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Other comprehensive income (Continued)

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2020				
	Attributable to the parent company		Other comprehensive income transferred to retained earnings		Amount incurred before income tax for the current year	Less: Other comprehensive income transferred out in the current year		Attributable to the parent company after tax	Attributable to minority interests, net of tax
	31 December 2019	after tax	31 December 2020			Less: Income tax expenses			
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	12,282,390	(14,823,100)	—	(1,778,497)	(762,213)
	<u>182,668,672</u>	<u>104,629,603</u>	<u>—</u>	<u>287,298,275</u>	<u>118,812,390</u>	<u>(14,823,100)</u>	<u>—</u>	<u>104,629,603</u>	<u>(640,313)</u>

(40) Surplus reserve

	31 December 2020	Appropriation in the current year	Decrease in the current year	31 December 2021
Statutory surplus reserve	<u>1,617,193,102</u>	<u>385,494,901</u>	<u>—</u>	<u>2,002,688,003</u>
	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>

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 RMB385,494,901 at 10% of net profit in 2021 (2020: withdraw at 10% of net profit, totaling RMB338,814,201).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) General risk reserve

	31 December 2020	Appropriation in the current year	Decrease in the current year	31 December 2021
General risk reserve	<u>411,248,470</u>	<u>—</u>	<u>—</u>	<u>411,248,470</u>
	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>

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 2021, the general risk reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets.

(42) Undistributed profits

	Year ended 31 December 2021	Year ended 31 December 2020
Undistributed profits at beginning of year	11,866,599,218	9,694,379,282
Add: Attributable to equity holders of the Company	3,964,054,012	3,841,863,143
Less: Withdrawal Surplus reserve	(385,494,901)	(338,814,201)
Extracting general risk reserve	—	(30,661,676)
Profit distribution to shareholders (a)	<u>(1,701,966,420)</u>	<u>(1,300,167,330)</u>
Undistributed profits at the end of the year	<u>13,743,191,909</u>	<u>11,866,599,218</u>

- (a) Pursuant to the resolution of the annual general meeting on 28 June 2021, the Company distributed cash dividends of the year 2020 to all shareholders at RMB2.622 (tax inclusive) per 10 shares. Based on the 6,491,100,000 issued shares to calculate, the dividends distributed were RMB1,701,966,420.

Pursuant to the resolution of the Board of Directors on 30 March 2022, the Board of Directors proposed that the Company pay a cash dividend of 2021 to all shareholders at RMB2.564 (including tax) per 10 shares. Based on the 6,491,100,000 shares issued, the proposed cash dividends are RMB1,664,318,040. The above proposal is pending approval by the shareholders meeting (Note10).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Revenue and cost of sales

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from main operations	14,763,170,845	11,968,591,156
Revenue from other operations	<u>1,336,010,659</u>	<u>1,250,822,734</u>
	<u>16,099,181,504</u>	<u>13,219,413,890</u>
	Year ended 31 December 2021	Year ended 31 December 2020
Cost of sales from main operations	(10,049,157,838)	(7,809,454,835)
Cost of sales from other operations	<u>(906,293,536)</u>	<u>(678,142,497)</u>
	<u>(10,955,451,374)</u>	<u>(8,487,597,332)</u>

(a) Revenue and cost of sales from main operations

	Year ended 31 December 2021		Year ended 31 December 2020	
	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	362,549,435	(103,217,194)	202,090,125	(75,077,840)
Metal ore, coal and other cargo handling and ancillary services	3,422,815,723	(2,690,414,505)	3,284,940,844	(2,620,743,970)
Liquid bulk cargo handling and ancillary services	3,148,369,565	(1,129,764,174)	2,234,777,329	(519,505,889)
Logistics and port value-added services	6,562,386,806	(5,034,214,058)	4,890,042,181	(3,401,821,390)
Port ancillary services – construction, labor and construction of port machinery	<u>1,267,049,316</u>	<u>(1,091,547,907)</u>	<u>1,356,740,677</u>	<u>(1,192,305,746)</u>
	<u>14,763,170,845</u>	<u>(10,049,157,838)</u>	<u>11,968,591,156</u>	<u>(7,809,454,835)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	Year ended 31 December 2021		Year ended 31 December 2020	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Lease revenue (i)	343,844,337	(190,561,176)	201,969,691	(107,497,027)
Port ancillary service – sales of fuel, electricity and others	992,166,322	(715,732,360)	1,044,949,299	(570,296,946)
Financial services	—	—	3,903,744	(348,524)
	<u>1,336,010,659</u>	<u>(906,293,536)</u>	<u>1,250,822,734</u>	<u>(678,142,497)</u>

- (i) 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 2021, 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, nil)

For the year ended 31 December 2021, 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 2021, the amounts of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB533,703,268 (As at 31 December 2020: RMB808,891,831), of which is expected to be recognized as revenue in 2022.

(44) Taxes and surcharges

	Year ended 31 December 2021	Year ended 31 December 2020	Calculation and payment standard
Land use tax	56,277,045	47,715,266	3.2 -11.2 yuan/ Square meter/year
City maintenance and construction tax	23,320,229	16,527,011	7%
Educational surcharge	16,454,055	11,311,904	3%
Stamp duty	11,034,608	8,788,605	Proportional tax rate, Norm quota tax rate
Property tax	8,718,682	6,022,196	Levied on prices and values
Others	<u>13,732,952</u>	<u>14,226,166</u>	
	<u>129,537,571</u>	<u>104,591,148</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) General and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Employee benefits	591,545,859	443,282,303
Office expenses and entertainment expenses	40,923,106	34,810,323
Depreciation of right-of-use assets	25,502,780	—
Depreciation of fixed assets	24,854,553	23,328,618
Intermediary service fee	24,549,180	21,465,418
Amortization of intangible assets	22,572,183	15,814,614
Repair expenses	20,479,242	23,574,342
Consumption of other raw materials	15,633,808	18,147,461
Fuel and utility fees	9,119,201	6,983,684
Others	36,414,733	49,880,143
	<u>811,594,645</u>	<u>637,286,906</u>

(46) Financial expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Interest expenses on deposits	66,333,355	65,313,666
Bonds, borrowings and other interest expenses	76,425,726	113,948,281
Add: Interest expense for lease liabilities	13,259,778	29,265,599
Less: Capitalized interest	(341,516)	(691,579)
	<u>155,677,343</u>	<u>207,835,967</u>
Less: Interest income	(392,883,319)	(356,399,859)
Effect of actuarial calculation of employee benefits	79,050,000	86,700,000
Exchange gains or losses	12,949,046	45,677,571
Others	7,049,159	2,806,299
	<u>(138,157,771)</u>	<u>(13,380,022)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) 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 2021	Year ended 31 December 2020
Subcontract cost	3,768,598,167	2,040,791,695
Employee benefits	2,758,709,364	2,191,445,305
Cost for outsourcing transportation	1,956,146,054	1,871,013,018
Depreciation of fixed assets	871,842,252	762,254,060
Consumption of other raw materials	581,822,170	471,781,070
Consumption of raw materials in construction contract	413,523,349	460,053,199
Cost of sales for fuel and electricity	488,294,816	342,781,087
Procurement cost of fuel and utility fees	356,892,215	324,415,688
Rental expenses (i)	184,272,555	204,759,112
Repair expense	152,539,170	161,708,061
Amortization of intangible assets	88,728,497	76,294,934
Depreciation of right-of use assets	88,538,668	77,858,810
Consulting fee	15,750,178	12,347,644
Auditor's fee	8,942,863	9,117,774
<ul style="list-style-type: none"> - Annual audit services for listed companies - Other audit services within the group - Non-audit services 	<ul style="list-style-type: none"> 5,764,000 2,509,120 669,743 	<ul style="list-style-type: none"> 5,764,000 2,981,132 372,642
Depreciation of investment properties	4,728,107	5,368,849
Others	165,817,053	173,694,145
	11,905,145,478	9,185,684,451

- (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 2021, the amount is RMB184,272,555 (For the year ended on 31 December 2020: RMB204,759,112).
- (ii) For the daily maintenance and repair expenses of fixed assets that do not meet the criteria of capitalisation, the Group included the costs related to the production and processing of inventories in the costs of inventories and recognised as cost of sale accordingly, and included the costs related to the research and development department, the administrative department and the sale department in research and development expenses, general and administrative expenses and selling and distribution expenses, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48) Other income

	Year ended 31 December 2021	Year ended 31 December 2020	Asset related/ Income related
Additional deduction of VAT input	41,513,620	47,765,566	—
VAT refunded as soon as collected	41,104,640	—	—
Government grants			
– Development support funds related to daily operations	45,670,375	25,262,562	Income related
– Development support funds related to assets	9,732,503	1,279,363	Asset related
– Employment stabilization subsidies	3,848,601	5,859,256	Income related
– Special funds for outer route	3,914,444	3,914,444	Asset related
– Other government grants	3,328,303	4,826,654	Asset/Income related
	<u>149,112,486</u>	<u>88,907,845</u>	

For the year ended 31 December 2021 and 2020, other income was included in the non-recurring profit or loss of the year.

(49) Investment income

	Year ended 31 December 2021	Year ended 31 December 2020
Investment income from long-term equity investments under equity method	1,177,037,672	1,289,230,148
Investment income from disposal of long-term equity investments	128,876,471	47,232,463
Investment income from holding of financial assets held for trading	77,239,623	165,996,972
Interest income from holding of other debt investment	36,590,528	43,511,136
Interest income from holding of debt investments	3,911,649	6,204,537
Yongli Insurance compensation for transitional profits	5,397,247	—
Interest expenses of discounted notes	(1,254,946)	(1,273,168)
	<u>1,427,798,244</u>	<u>1,550,902,088</u>

There is no significant restriction on the Group's recovery of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Credit impairment losses

	Year ended 31 December 2021	Year ended 31 December 2020
Reversal for bad debts of notes receivable	(1,254,006)	(2,204,000)
Provision for bad debts of accounts Receivable	8,036,695	61,770,317
Provision for bad debts of other receivables	8,715,374	10,191,044
Provision for bad debts of long-term receivables	<u>14,061,726</u>	<u>23,395,544</u>
	<u>29,559,789</u>	<u>93,152,905</u>

(51) Income tax expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax calculated based on tax law and related regulations	1,185,160,190	1,087,057,612
Deferred income tax	<u>(31,280,868)</u>	<u>17,779,455</u>
	<u>1,153,879,322</u>	<u>1,104,837,067</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 2021	Year ended 31 December 2020
Total profit	<u>5,783,699,265</u>	<u>5,525,196,945</u>
Income tax expenses calculated at applicable tax rates	1,445,924,816	1,381,299,236
The effect of preferential tax rates	(4,658,593)	(1,542,383)
Investment income not subject to tax	(294,259,418)	(322,307,537)
Additional deduction of research and development expenses	(4,961,323)	—
Additional deduction of employee benefits of the disabled	(1,013,495)	(1,220,422)
Costs, expenses and losses not deductible for tax purposes	22,078,754	37,817,909
Utilisation of previously unrecognised deductible losses	(19,255,044)	—
Deductible temporary differences for which no deferred tax asset was recognized for the current year	241,634	252,988
Deductible losses not recognized as deferred tax assets in the current year	<u>9,781,991</u>	<u>10,537,276</u>
Income tax expenses	<u>1,153,879,322</u>	<u>1,104,837,067</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) 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 2021	Year ended 31 December 2020
Consolidated net profit attributable to ordinary shareholders of the Company	3,964,054,012	3,841,863,143
Weighted average number of ordinary shares outstanding	<u>6,491,100,000</u>	<u>6,491,100,000</u>
Basic earnings per share	<u>0.61</u>	<u>0.59</u>
Including:		
– Basic earnings per share from continuing operations	0.61	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 2021 (for the year ended 31 December 2020: nil), diluted earnings per share equal to basic earnings per share.

(53) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	Year ended 31 December 2021	Year ended 31 December 2020
Lease payments received	145,308,471	162,663,082
Government grants	97,301,454	155,133,047
Interest from cash at bank	22,929,093	33,929,916
Receipt of deposits and guarantees	20,278,233	12,342,392
Port construction fees	430,213	7,038,636
Logistics business fees collected on behalf	—	169,393,999
Recover advance payment for purchases	—	115,742,946
Collection of port construction fees	—	42,217,925
Railage collected on behalf	—	28,510,182
Others	<u>10,130,492</u>	<u>15,978,110</u>
	<u>296,377,956</u>	<u>742,950,235</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Notes to the cash flow statement (Continued)

(b) Cash paid relating to other operating activities

	Year ended 31 December 2021	Year ended 31 December 2020
Advance payment for agency purchase (i)	1,565,273,752	—
Payment of retirement salaries	169,130,000	100,310,000
Payment on behalf of logistics business	138,527,605	—
Office expenses and entertainment expenses	44,217,819	42,445,207
Pay railway freight	43,692,062	—
Intermediary service fee	24,693,042	21,465,418
Bank service charge	7,049,159	2,806,299
Fines and donations, etc.	—	5,985,893
Others	28,778,890	19,060,915
	<u>2,021,362,329</u>	<u>192,073,732</u>

(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, QDP CTC and Tongze Trading, which is presented on a net basis.

(c) Cash received relating to other investing activities

	Year ended 31 December 2021	Year ended 31 December 2020
Recovery of loans provided to related parties and third parties	2,501,680,778	1,821,333,872
Recovery of inter-bank borrowing funds from financial institutions	—	465,524,465
Recovery of statutory deposit reserve by Qingdao Finance	129,084,899	—
	<u>2,630,765,677</u>	<u>2,286,858,337</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Notes to the cash flow statement (Continued)

(d) Cash paid relating to other investing activities

	Year ended 31 December 2021	Year ended 31 December 2020
Provision of loans to related parties and third parties	3,604,871,490	4,184,620,847
Prepayment for equity of haiye oil terminal	261,903,564	—
Funding to other financial institutions	—	405,331,119
Statutory deposit reserve deposited by Qingdao Finance	—	178,477,313
	<u>3,866,775,054</u>	<u>4,768,429,279</u>

(e) Cash received relating to other financing activities

	Year ended 31 December 2021	Year ended 31 December 2020
Increase of deposits received by Qingdao Finance	763,547,886	1,645,438,911
Increase of factoring borrowings of Shangang commercial factoring	72,111,267	—
	<u>835,659,153</u>	<u>1,645,438,911</u>

(f) Cash paid relating to other financing activities

	Year ended 31 December 2021	Year ended 31 December 2020
Repayment of lease liabilities	133,793,923	381,452,621
Acquisition of minority interests of QMT	104,984,754	—
Repayment of factoring borrowings of Shangang commercial factoring	22,101,545	—
Repayment of subsidiary minority shareholders and third-party fund borrowings	41,093,824	160,479,152
	<u>301,974,046</u>	<u>541,931,773</u>

In 2021, the total lease-related cash outflow paid by the Group was RMB328,424,899. 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 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) 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 2021	Year ended 31 December 2020
Net profit	4,629,819,943	4,420,359,878
Add/Less: Asset impairment losses	8,759,366	(12,432,618)
Credit impairment losses	29,559,789	93,152,905
Depreciation of right-of-use assets	88,538,668	77,858,810
Depreciation of fixed assets and investment properties	876,570,359	767,622,909
Amortization of intangible assets	88,728,497	76,294,934
Amortization of long-term prepaid expenses	18,309,245	11,324,370
Gains on disposal of fixed assets, intangible assets and other non-current assets	(21,236,734)	(17,725,923)
Losses from scrapped fixed assets	38,071	3,456,921
Income on changes in fair value	(20,488,122)	(2,195,578)
Financial expenses	(125,264,097)	18,474,568
Investment income	(1,429,053,190)	(1,552,175,256)
Increase/Decrease in deferred tax assets	(49,514,827)	(13,956,864)
Amortization of deferred income	(15,197,712)	(6,924,298)
Increase/Decrease in deferred tax liabilities	(2,158,807)	3,739,603
Decrease/Increase in inventories	(48,877,982)	71,433,608
Decrease/Increase in operating receivables	(3,004,409,322)	(25,633,032)
Increase/Decrease in operating payables	1,730,253,663	(307,678,826)
Net cash flows from operating activities	<u>2,754,376,808</u>	<u>3,604,996,111</u>

Significant operating activities, investing activities and operating activities that do not involve cash receipts and payments.

	Year ended 31 December 2021	Year ended 31 December 2020
Goods and services purchased by endorsement of notes receivable	889,926,169	1,168,361,760
Long-term assets acquired by endorsement of notes receivable	50,116,407	104,678,381
Increase of right-of-use assets in the current year	<u>207,522,309</u>	<u>43,209,792</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) 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 2021	Year ended 31 December 2020
Cash at the end of the year	8,236,702,588	6,076,037,331
Less: Cash at the beginning of the year	<u>(6,076,037,331)</u>	<u>(3,998,246,081)</u>
Net increase in cash	<u>2,160,665,257</u>	<u>2,077,791,250</u>

Cash

	31 December 2021	31 December 2020
Cash at bank and on hand (Note 4(1))	9,119,769,281	8,548,976,734
Less: Term deposits with initial term of over 3 months	(5,929,401)	(1,600,737,380)
Other restricted cash balance	(872,673,505)	(852,156,032)
Interest receivable	<u>(4,463,787)</u>	<u>(20,045,991)</u>
Cash at the end of the year	<u>8,236,702,588</u>	<u>6,076,037,331</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Supplementary information to the cash flow statement (Continued)

(b) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	Year ended 31 December 2021	Year ended 31 December 2020
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	<u>—</u>	<u>148,807,287</u>

(ii) Disposal of subsidiaries

	Year ended 31 December 2021	Year ended 31 December 2020
Cash received from disposal of subsidiaries in the current year	78,032,675	60,528,700
Including: Yongli Insurance	—	60,528,700
Board of Trade	28,935,375	—
Qingdao Port Engineering	49,097,300	—
Less: Cash received deposited in Qingdao Finance	(49,097,300)	—
Including: Qingdao Port Engineering	(49,097,300)	—
Less: Cash held by subsidiaries at the date when control is lost	(119,815,130)	(16,482,233)
Including: Yongli Insurance	—	(16,482,233)
Board of Trade	(40,709,190)	—
Qingdao Port Engineering	(19,991,326)	—
Technology Company	(50,127,702)	—
Tongbao Shipping	(8,986,912)	—
Add: Amounts deposited at Qingdao Finance by the subsidiaries at the date when control is lost	119,815,130	16,482,233
Including: Yongli Insurance	—	16,482,233
Board of Trade	40,709,190	—
Qingdao Port Engineering	19,991,326	—
Technology Company	50,127,702	—
Tongbao Shipping	8,986,912	—
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	<u>28,935,375</u>	<u>—</u>

In 2021, the disposed subsidiaries were QDP CTC, Qingdao Port Engineering, Technology Company and Tongbao Shipping. Please refer to Note 5 (1) for the disposal prices and net assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Monetary items denominated in foreign currencies

	31 December 2021		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand –			
USD	169,751,728	6.3757	1,082,286,092
EUR	221,281	7.2197	1,597,582
HKD	50,791	0.8176	41,527
			<u>1,083,925,201</u>
Accounts receivable –			
USD	120,688,303	6.3757	769,472,412
EUR	60,000	7.2197	433,182
JPY	1,582,200	0.0554	87,678
			<u>769,993,272</u>
Accounts payable –			
USD	127,326,889	6.3757	811,798,049
JPY	286,500	0.0554	15,876
			<u>811,813,925</u>
Short-term borrowings –			
USD	224,024,925	6.3757	1,428,315,717
Long-term borrowings –			
EUR	10,342,161	7.2197	74,667,300

Monetary items denominated in foreign currencies above means all currencies except RMB.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

5 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Disposal of subsidiaries

(a) Aggregated information of subsidiaries disposed of in the current year:

Name of subsidiary	Proceeds from disposal	Original shareholding proportion	Disposal proportion	Remaining proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference	Amount
								between proceeds from disposal and corresponding shares of net assets in the consolidated financial statements	transferred from other comprehensive income related to initial equity investment to income or loss
Commodity Trading Center (i)	28,935,375	100%	71%	29%	Equity transfer	13 May 2021	Business registration of changes	31,850	—
Qingdao Port Engineering (ii)	183,487,800	100%	51%	49%	Equity transfer	9 November 2021	Business registration of changes	50,689,277	—
Tongbao Shipping (iii)	36,656,000	100%	100%	—	Equity transfer	12 November 2021	Business registration of changes	10,221,440	—
Technology company (iv)	—	100%	51%	49%	Capital increase	27 December 2021	Receive the capital increase	—	—

- (i) On 13 May 2021, the Group disposed 51% of the 100% equity interests of QDP CTC to Shandong Board and 20% of the equity interests to SDP International Trade Qingdao Company, with disposal gains or losses of RMB44,859 Note(5(1)(b)). Since the date of disposal, QDP CTC was changed from a subsidiary of the Company to an associate.
- (ii) On 9 November 2021, the Group invested 51% of the 100% equity interests of Qingdao Port Engineering at the price of RMB183,487,800 to Shandong Harbour Construction, acquiring 9.62% of the share capital of Shandong Harbour Construction after capital increase, with disposal gains or losses of RMB99,390,740 Note(5(1)(b)). After the completion of the capital contribution, the shareholding in Qingdao Port Engineering held by the Company was changed to 49%, and Qingdao Port Engineering was changed from a subsidiary of the Company to an associate.
- (iii) On 12 November 2021, the Group invested 100% equity interests of Tongbao Shipping at the price of RMB36,656,000 to Shandong Port Shipping, acquiring 11.02% of the enlarged share capital of Shandong Port Shipping, with disposal gains or losses of RMB10,221,440 (Note 5 (1)(b)).
- (iv) On 27 December 2021, Shandong Port Technology increased the capital of Technology Company by RMB52,842,245 in cash, accounting for 51% of the enlarged share capital of Technology Company. After the completion of the capital contribution, QDP International held 49% equity interests of Technology Company, lost control over Technology Company, with disposal gains or losses of RMB20,334,606 (Note 5 (1)(b)). Since the date when Technology Company received the capital increase, Technology Company was changed from a subsidiary of the Company to an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

5 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(1) Disposal of subsidiaries (Continued)

(b) The disposal profit and loss information is as follows:

Commodity Trading Center

	Amount
Disposal price	28,935,375
Fair value at the disposal date of the remaining 29% equity interests	11,818,674
Less: Commodity Trading Center's share of net assets at the level of consolidated financial statements	<u>(40,709,190)</u>
Investment income from disposal	<u><u>44,859</u></u>

On the date of losing control, the fair value at the disposal date of the remaining 29% equity interests was determined using the income method and key assumption was that the operating environment and businesses of Commodity Trading Center did not change significantly.

Qingdao Port Engineering

	Amount
Disposal price	183,487,800
Fair value at the disposal date of the remaining 49% equity interests	176,292,200
Less: Qingdao Port Engineering's share of net assets at the level of consolidated financial statements	<u>(260,389,260)</u>
Investment income from disposal	<u><u>99,390,740</u></u>

On the date of losing control, the fair value at the disposal date of the remaining 49% equity interests was determined using the income method and key assumption was that the operating environment and businesses of Qingdao Port Engineering did not change significantly.

Tongbao Shipping

	Amount
Disposal price	36,656,000
Less: Tongbao Shipping's share of net assets at the level of consolidated financial statements	<u>(26,434,560)</u>
Investment income from disposal	<u><u>10,221,440</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

5 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(1) Disposal of subsidiaries (Continued)

(b) The disposal profit and loss information is as follows (Continued):

Technology company

	Amount
Fair value of the remaining 49% equity interests	50,770,000
Less: Technology company's share of net assets at the level of consolidated financial statements	<u>(30,435,394)</u>
Investment income from disposal	<u>20,334,606</u>

On the date of losing control, the fair value at the disposal date of the remaining 49% equity interests was determined using the income method and key assumption was that the operating environment and businesses of Technology company did not change significantly.

(2) Changes in the scope of consolidation for other reasons

On 10 February 2021, the Company set up a wholly-owned subsidiary Construction Management Centre, with a registered capital of RMB10,000,000. As at 31 December 2021, the Company completed the capital contribution.

On 1 July 2021, the Company set up a wholly-owned Qingdao Port Emergency Rescue Co., Ltd. ("Emergency Rescue"), with a registered capital of RMB50,000,000. As at 31 December 2021, the Company completed an investment of RMB40,000,000.

On 20 December 2021, the Company and AVIC Property Management Co., Ltd. jointly established a non-wholly-owned subsidiary, Qingdao Qinggang AVIC Industrial Operation Service Co., Ltd. ("AVIC Property"), with a registered capital of RMB6,000,000 and a shareholding of 51%. As at 31 December 2021, both shareholders completed the capital contribution in proportion to their shareholding.

On 30 November 2021, the Company cancelled its wholly-owned subsidiary, Qingdao Tongan Environmental Protection Technology Co., Ltd. ("Tongan Environmental Protection"), realising a liquidation gain of RMB855,221.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES

(1) Equity interest 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
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
QMT	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	15,200	100%	—	Business combinations involving enterprises not under common control
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest 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 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
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 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
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 Svitser Towage Co., Ltd. ("Svitser Towage") (i)	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
Qingdao Port Lianxin International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	2,000	—	58%	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest 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	
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
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest 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	
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
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
Qingdao Qianwan Nangang Oil & Gas Co., Ltd.	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	25,000	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
Equipment Manufacturing	Limited Liability Company	Qingdao, China	Qingdao, China	Port machinery manufacturing	10,000	100%	—	Set-up or investment
Construction Management Center	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering Management	1,000	100%	—	Set-up or investment
Emergency Rescue	Limited Liability Company	Qingdao, China	Qingdao, China	Emergency services	5,000	100%	—	Set-up or investment
AVIC Industry Operation Service	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	600	51%	—	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

- (i) As at 23 May 2014, the Company acquired 51% equity 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 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 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 2021, 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%.

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%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

(i) (Continued)

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.

In 2021, the company's subsidiaries are all unlisted enterprises and have not issued stocks or bonds.

(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 2021	Dividends declared to minority interests for the year ended 31 December 2021 (ii)	31 December 2021 Minority interests
Qingdao Finance	30%	87,437,688	(254,466,898)	554,207,891
Lianhua Pipeline (i)	49%	420,723,128	(264,406,302)	1,211,614,206
Liquid Chemical Terminal	49%	2,736,602	—	365,015,151

(i) The main financial information of Lianhua Pipeline consists of Lianhua Pipeline and its subsidiaries Weifang Port Lianhua and Dongying Port Lianhua.

(ii) All dividends declared to minority shareholders in 2021 had been paid in that year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(b) Subsidiary with significant minority interests (Continued)

The main financial information of the above important non-wholly owned subsidiaries is as follows:

	31 December 2021		
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Current assets	13,057,875,457	1,393,023,934	94,620,902
Non-current assets	5,115,471,409	2,957,219,853	779,541,628
Total assets	<u>18,173,346,866</u>	<u>4,350,243,787</u>	<u>874,162,530</u>
Current liabilities	(16,284,253,596)	(567,659,415)	(129,348,511)
Non-current liabilities	(41,733,632)	(1,438,970,000)	(750,000)
Total liabilities	<u>(16,325,987,228)</u>	<u>(2,006,629,415)</u>	<u>(130,098,511)</u>
	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	<u>18,796,584,089</u>	<u>4,228,820,410</u>	<u>774,274,768</u>
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	<u>(16,385,069,121)</u>	<u>(2,186,034,796)</u>	<u>(35,010,790)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(b) Subsidiary with significant minority interests (Continued)

	Year ended 31 December 2021		
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal
Revenue	526,908,782	1,627,070,621	21,205,653
Net profit	291,458,961	837,474,022	4,061,857
Total comprehensive income	283,932,521	840,954,022	4,141,857
Cash flows from operating activities	3,028,993,040	952,160,022	1,394,371
	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)

(2) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates (Continued)

(b) Summarized financial information of material joint ventures:

	31 December 2021		31 December 2020	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	1,421,031,673	1,861,272,476	1,305,347,068	568,120,902
Including: Cash	1,366,801,683	1,674,304,319	1,232,607,890	394,165,362
Non-current assets	2,325,956,982	11,921,851,714	2,421,662,999	12,197,856,359
Total assets	<u>3,746,988,655</u>	<u>13,783,124,190</u>	<u>3,727,010,067</u>	<u>12,765,977,261</u>
Current liabilities	(1,030,429,908)	(2,182,636,655)	(204,171,781)	(1,821,701,786)
Non-current liabilities	(5,170,000)	(3,284,009,671)	—	(3,362,439,984)
Total liabilities	<u>(1,035,599,908)</u>	<u>(5,466,646,326)</u>	<u>(204,171,781)</u>	<u>(5,184,141,770)</u>
Minority interests	—	228,069,887	—	211,468,089
Attributable to shareholders of the Company	<u>2,711,388,747</u>	<u>8,088,407,977</u>	<u>3,522,838,286</u>	<u>7,370,367,402</u>

Considering the impact of the fair value of identifiable assets and liabilities at acquisition(i):

	31 December 2021		31 December 2020	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	1,421,031,673	1,861,272,476	1,305,347,068	568,120,902
Including: Cash	1,366,801,683	1,674,304,319	1,232,607,890	394,165,362
Non-current assets	2,325,956,982	12,356,728,697	2,421,662,999	12,731,035,240
Total assets	<u>3,746,988,655</u>	<u>14,218,001,173</u>	<u>3,727,010,067</u>	<u>13,299,156,142</u>
Current liabilities	(1,030,429,908)	(2,182,636,655)	(204,171,781)	(1,821,701,786)
Non-current liabilities	(5,170,000)	(3,392,728,917)	—	(3,495,734,704)
Total liabilities	<u>(1,035,599,908)</u>	<u>(5,575,365,572)</u>	<u>(204,171,781)</u>	<u>(5,317,436,490)</u>
Minority interests	—	234,313,081	—	217,711,283
Attributable to shareholders of the Company	<u>2,711,388,747</u>	<u>8,408,322,520</u>	<u>3,522,838,286</u>	<u>7,764,008,369</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates (Continued)

(b) Summarized financial information of material joint ventures (Continued):

	31 December 2021		31 December 2020	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Shares of net assets in proportion (i)	1,355,694,374	4,189,070,977	1,761,419,143	3,837,615,569
Adjustments				
– Goodwill	—	1,672,785,426	—	1,672,785,426
– Unrealized profits arising from internal transactions	(60,676,673)	(87,539,330)	(64,115,294)	(88,919,957)
Carrying amount of investment in joint ventures	<u>1,295,017,701</u>	<u>5,774,317,073</u>	<u>1,697,303,849</u>	<u>5,421,481,038</u>
	Year ended 31 December 2021		Year ended 31 December 2020	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	1,592,190,126	4,188,767,980	1,567,979,019	3,873,663,604
Financial expenses	18,024,581	(146,349,043)	8,771,848	(126,758,680)
Income tax expenses	(240,850,493)	(478,490,185)	(229,731,810)	(528,474,279)
Net profit	719,415,223	1,669,202,073	684,561,163	1,684,881,771
Net profit attributable to the Company	719,415,223	1,652,600,275	684,561,163	1,676,414,760
Other comprehensive income	—	—	—	—
Total comprehensive income	<u>719,415,223</u>	<u>1,652,600,275</u>	<u>684,561,163</u>	<u>1,676,414,760</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) 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):

	<u>Year ended 31 December 2021</u>		<u>Year ended 31 December 2020</u>	
	<u>Qingdao Shihua</u>	<u>QQCT</u>	Qingdao Shihua	QQCT
Net profit	719,415,223	1,595,475,649	684,561,163	1,608,970,155
Net profit attributable to the Company	719,415,223	1,578,873,908	684,561,163	1,600,503,144
Other comprehensive income	—	—	—	—
Total comprehensive income	<u>719,415,223</u>	<u>1,578,873,908</u>	<u>684,561,163</u>	<u>1,600,503,144</u>
Dividends received from joint ventures by the Group for the current period, as of the year ended on 31 December 2021	765,432,381	471,131,207	—	817,783,089

- (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. The assets involved in the transactions between the Group and joint ventures do not constitute a business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) 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 2021	Year ended 31 December 2020
Joint ventures:		
Aggregated carrying amount of investments	1,982,452,258	2,007,256,362
Aggregate of the following items in proportion		
Net profit (i)	34,394,483	99,192,947
Other comprehensive income (i)	—	—
Total comprehensive income	<u>34,394,483</u>	<u>99,192,947</u>
Associates:		
Aggregated carrying amount of investments	963,566,257	745,712,702
Aggregate of the following items in proportion		
Net profit (i)	(51,552,778)	24,323,058
Other comprehensive income (i)	—	—
Total comprehensive income	<u>(51,552,778)</u>	<u>24,323,058</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2021
(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(a) Segment information for the year ended 31 December 2021 and as at 31 December 2021 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	362,549,435	3,422,815,723	3,148,369,565	6,562,386,806	2,603,059,975	370,223,702	—	—	16,469,405,206
Inter-segment revenue	30,446,668	102,303,231	1,475,433	126,859,589	1,210,801,864	156,685,080	—	(1,628,571,865)	—
Cost of sales	(103,217,194)	(2,690,414,505)	(1,129,764,174)	(5,034,214,058)	(1,997,841,443)	(77,465,977)	—	—	(11,032,917,351)
Interest income	923,458	3,021,433	14,155,118	12,920,584	3,571,086	—	52,677,984	(64,610,046)	22,659,617
Interest expenses	(29,240,343)	(51,277,802)	(174,371,502)	(36,862,254)	(36,092,141)	—	(23,648,431)	273,281,107	(78,211,366)
Investment income from associates and joint ventures	832,403,832	(25,489,635)	361,905,904	63,828,878	14,853,828	12,958,078	(89,830,683)	6,407,470	1,177,037,672
Other investment income	—	(1,070,315)	—	10,221,440	117,400,085	104,150,162	146,372,341	(126,313,141)	250,760,572
Asset impairment losses	—	—	—	—	(8,759,366)	—	—	—	(8,759,366)
Credit impairment losses	—	(155,347)	(10,653,426)	(14,949,588)	4,232,396	(8,033,824)	—	—	(29,559,789)
Depreciation of right-of-use assets	—	—	—	(61,458,312)	—	—	(27,080,356)	—	(88,538,668)
Depreciation and amortization	(30,299,265)	(217,984,865)	(392,969,737)	(128,901,575)	(173,984,042)	(1,731,448)	(37,737,169)	—	(983,608,101)
Total profit	1,043,397,170	490,974,278	2,152,589,599	1,369,222,609	569,719,892	488,704,136	(226,272,937)	(104,635,482)	5,783,699,265
Income tax expenses	10,249,491	(2,782,950)	(403,089,686)	(247,659,522)	(50,164,161)	(113,018,747)	(347,413,747)	—	(1,153,879,322)
Net profit	<u>1,053,646,661</u>	<u>488,191,328</u>	<u>1,749,499,913</u>	<u>1,121,563,087</u>	<u>519,555,731</u>	<u>375,685,389</u>	<u>(573,686,684)</u>	<u>(104,635,482)</u>	<u>4,629,819,943</u>
Total assets	<u>8,971,723,878</u>	<u>8,480,063,619</u>	<u>13,542,397,329</u>	<u>7,423,362,973</u>	<u>6,874,390,380</u>	<u>18,403,668,649</u>	<u>11,942,890,445</u>	<u>(15,062,941,145)</u>	<u>60,575,556,128</u>
Total liabilities	<u>740,586,540</u>	<u>3,382,341,847</u>	<u>4,585,496,493</u>	<u>4,424,624,695</u>	<u>5,408,335,075</u>	<u>16,325,987,228</u>	<u>1,899,361,607</u>	<u>(14,975,803,709)</u>	<u>21,790,929,776</u>
Non-cash expenses other than depreciation and amortization	<u>1,550,000</u>	<u>29,160,000</u>	<u>1,690,000</u>	<u>12,560,000</u>	<u>37,050,000</u>	<u>30,000</u>	<u>—</u>	<u>—</u>	<u>82,040,000</u>
Long-term equity investments in associates and joint ventures	<u>6,034,866,684</u>	<u>1,192,882,049</u>	<u>1,604,598,547</u>	<u>449,533,091</u>	<u>275,653,742</u>	<u>127,442,082</u>	<u>330,377,094</u>	<u>—</u>	<u>10,015,353,289</u>
Additions of non-current assets (i)	<u>5,495,413</u>	<u>1,198,132,786</u>	<u>1,402,317,434</u>	<u>68,465,715</u>	<u>425,630,991</u>	<u>2,821,266</u>	<u>190,812,310</u>	<u>(96,440,849)</u>	<u>3,197,235,066</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 2021
(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(b) 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 of right-of-use assets	—	—	—	(77,858,810)	—	—	—	—	(77,858,810)
Depreciation and amortization	(25,176,655)	(206,164,880)	(295,240,465)	(131,312,357)	(163,500,606)	(1,275,537)	(32,571,713)	—	(855,242,213)
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 2021
(All amounts in RMB Yuan unless otherwise stated)

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 2021	Year ended 31 December 2020
Revenue –		
Reportable segment revenue from external customers	16,469,405,206	13,543,467,018
Reclassification of interest income from external customers of Qingdao Finance (i)	<u>(370,223,702)</u>	<u>(324,053,128)</u>
Consolidated revenue (Note4(43))	<u>16,099,181,504</u>	<u>13,219,413,890</u>
Interest income –		
Reportable segment interest income	22,659,617	32,346,731
Reclassification of interest income from external customers of Qingdao Finance (i)	<u>370,223,702</u>	<u>324,053,128</u>
Consolidated interest income (Note4(46))	<u>392,883,319</u>	<u>356,399,859</u>
Cost of sales –		
Reportable segment cost of sales	11,032,917,351	8,559,945,202
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<u>(77,465,977)</u>	<u>(72,347,870)</u>
Consolidated cost of sales (Note4(43))	<u>10,955,451,374</u>	<u>8,487,597,332</u>
Interest expenses –		
Reportable segment interest expenses	78,211,366	135,488,097
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<u>77,465,977</u>	<u>72,347,870</u>
Consolidated interest expenses (Note4(46))	<u>155,677,343</u>	<u>207,835,967</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 2021
(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	Su Jianguang	Port operation and management

As mentioned in Note 1, as at 31 December 2021, the ultimate controlling party of the Company remained Qingdao SASAC. As at the date on which the financial statements were authorised for issue, the ultimate controlling party of the Company was Shandong SASAC.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
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 2021		31 December 2020	
	Shareholding	Voting rights	Shareholding	Voting rights
Qingdao Port Group	<u>55.77%</u>	<u>55.77%</u>	<u>55.10%</u>	<u>55.10%</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 2021
(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
Qingyin Financial Leasing	Associate
Overseas Development Qingdao	Associate
Shandong Port Energy	Associate
QDP CTC	Associate
Qingdao Port Engineering	Associate
Qingdao Port Engineering Design Institute Technology Company	Associate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 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 Harbor Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Qingdao Port Pilot Station Co., Ltd. ("QDP Pilot Station")	Controlled by the same parent company
Qingdao Port Asset Management Co., Ltd. ("Assets Management Company")	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
Qingdao International Cruises Co., Ltd. ("International Cruises")	Controlled by the same parent company
Qingdao Hongyu Catering Co., Ltd. ("Hongyu Hotel") (Used name: Qingdao Hongyu Grand Hotel)	Controlled by the same parent company
Qingdao Qinggang International Travel Service Co., Ltd. ("Qingdao Port Travel Agency")	Controlled by the same parent company
Yongli Insurance	Controlled by the same parent company
Qinggang (Shenzhen) Commercial Factoring Co., Ltd. Qingdao Branch ("Qinggang Commercial Factoring")	Controlled by the same parent company
Rizhao Bulk Commodity Supply Chain Management Co., Ltd. ("Rizhao Bulk Commodity Supply Chain")	Controlled by the same parent company
Rizhao Port Group Shanghai Financial Leasing Co., Ltd. ("Rizhao Port Financial Leasing")	Controlled by the same parent company
Rizhao Port Group Shanghai Commercial Factoring Co., Ltd. ("Rizhao Port Commercial Factoring")	Controlled by the same parent company
Shandong Board of Trade Co., Ltd. ("Shandong Board of Trade") (Used name: Rizhao Commodity Exchange Center Co., Ltd.)	Controlled by the same parent company
Shandong Port Insurance Brokerage Co., Ltd. ("Insurance Brokerage")	Controlled by the same parent company
Shandong Port International Supply Chain Management Co., Ltd. ("Shandong Port Supply Chain")	Controlled by the same parent company
Shandong Port Financial Holdings Co., Ltd. ("Shandong Port Financial Holdings")	Controlled by the same parent company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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
Shandong Port Commercial Factoring Co., Ltd. (“Shandong Port Commercial Factoring”)	Controlled by the same parent company
Shandong Port Micro Lending Co., Ltd. (“Micro Lending Company”)	Controlled by the same parent company
Shandong Gainsense Futures Co., Ltd. (“Shandong Gainsense Futures”)	Controlled by the same parent company
Shandong Port Group Weihai Port Co., Ltd. (“Weihai Port Group”) (Used name: Weihai Port Group Co., Ltd.)	Controlled by the same parent company
Shandong Weihai Port Development Co., Ltd. (“Weihai Port”) (Used name: Shandong Weihai Port Co., Ltd.)	Controlled by the same parent company
Shandong Weihai Port International Trade Co., Ltd.	Controlled by the same parent company
Shandong Weihai Port International Logistics Co., Ltd. (“Weihai Port International Logistics”)	Controlled by the same parent company
Weihai Gangfeng Shipping Agency Co., Ltd. (“Weihai Gangfeng Shipping Agency”)	Controlled by the same parent company
Weihai Gangsheng Shipping Co., Ltd. (“Weihai Gangsheng Shipping”) (Used name: Weihai Gangsheng Barge Co., Ltd.)	Controlled by the same parent company
Weihai Gangtong Information Technology Co., Ltd. (“Weihai Gangtong Technology”)	Controlled by the same parent company
Weihai International Logistics Park Development Co., Ltd. (“Weihai International Logistics Park”)	Controlled by the same parent company
Weihai Jinfeng Freight Forwarding Co., Ltd. (“Weihai Jinfeng Freight Forwarding”)	Controlled by the same parent company
Weihai Shichang Liquor Industry Co., Ltd.	Controlled by the same parent company
Weihai Shichang Logistics Co., Ltd. (“Weihai Shichang Logistics”)	Controlled by the same parent company
Weihai Weigang Property Management Co., Ltd.	Controlled by the same parent company
Weihai Yufeng Energy Co., Ltd. (“Weihai Yufeng Energy”)	Controlled by the same parent company
Weihai Zhongda Shipping Co., Ltd.	Controlled by the same parent company
China Ocean Shipping Tally Weihai Co., Ltd. (“China Ocean Shipping Tally Weihai”)	Controlled by the same parent company
China Weihai Shipping Agency Co., Ltd.	Controlled by the same parent company
Beijing Zhonggang Jinyuan Financial Leasing Co., Ltd. (“Zhonggang Jinyuan”)	Controlled by the same parent company
Qingdao Port Finance Guarantee Co., Ltd.	Controlled by the same parent company
Shandong Port Fund Management Co., Ltd. (“Fund Management”)	Controlled by the same parent company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 Weihai Port International Passenger Transportation Co., Ltd. (“Weihai Port International Passenger Transportation”)	Controlled by the same parent company
Weihai Dingxin Construction Engineering Co., Ltd. (“Weihai Dingxin Construction”)	Controlled by the same parent company
Weihai Ganglian Logistics Co., Ltd.	Controlled by the same parent company
Weihai Jiaodong International Container Shipping Co., Ltd.	Controlled by the same parent company
Shandong Port Group Ship Service Co., Ltd. (“Shandong Port Ship Service”)	Controlled by the same parent company
Yantai Gangrong Commercial Factoring Co., Ltd. (“Yantai Gangrong Commercial Factoring”)	Controlled by the same parent company
Shandong Port Cloud Digital Technology Co., Ltd. (“Shandong Port Cloud Digital Technology”)	Controlled by the same parent company
North Oil & Gas (Shandong) Industry Development Co., Ltd. (“North Oil & Gas”)	Controlled by the same parent company
Shandong Port Fund Management Co., Ltd.	Controlled by the same parent company
Qingdao Cruise Home Port Development and Construction Co., Ltd.	Associate of the parent company
Qingdao Dongjiakou Railway Co., Ltd. (“Dongjiakou Railway”)	Associate of the parent company
Qingdao Cruise Home Port CDF Duty Free Merchandise Co., Ltd.	Associate of the parent company
Qingdao Huanhai Bay Development & Construction Co., Ltd. (“Huanhai Bay Development & Construction”)	Associate of the parent company
QQCTU	Joint venture of QQCTN, and shared the same key management personnel with the company
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (“QQCTI”)	Subsidiary of QQCTN, and shared the same key management personnel with the company
QQCTUA	Joint venture of QQCTU, and shared the same key management personnel with the company
QQCTN	Subsidiary of QQCT
Shenzhen Unitrans Agency Co., Ltd. (“Shenzhen UA”)	Subsidiary of the Group’s associated companies
Shandong Port Group Co., Ltd.	Shareholder of Qingdao Port Group
Binzhou Port Group Co., Ltd. (“Binzhou Port”)	Subsidiary of Shandong Port Group
Rizhao Port Co., Ltd. (“Rizhao Port”)	Subsidiary of Shandong Port Group
Shandong Port International Trade Group Co., Ltd. (“Shangang International Trade”)	Subsidiary of Shandong Port Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 Shipping Group Yantai Container Shipping Co., Ltd. (Used name: Yantai Port Container Shipping Co., Ltd.)	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics Bohai Bay Co., Ltd. ("Land and Sea International Logistics Bohai Bay")	Subsidiary of Shandong Port Group
Shandong Port Luhai International Logistics Group Co., Ltd. ("Luhai International Logistics")	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics Liaocheng Co., Ltd. ("Shandong Port Land and Sea Liaocheng")	Subsidiary of Shandong Port Group
Shandong Harbor Construction Group Co., Ltd. ("Shandong Harbor Construction Group")	Subsidiary of Shandong Port Group
Shandong Luhai Heavy Industry Co., Ltd. ("Luhai Heavy Industry")	Subsidiary of Shandong Port Group
Shandong CCCC Navigation Engineering Co., Ltd. ("Shandong CCCC Navigation")	Subsidiary of Shandong Port Group
Yantai Port Co., Ltd. ("Yantai Port")	Subsidiary of Shandong Port Group
Yantai Port Group Penglai Port Co., Ltd. ("Penglai Port")	Subsidiary of Shandong Port Group
Beijing Lugang Holding Development Group Co., Ltd.	Subsidiary of Shandong Port Group
Binzhou Port Service Co., Ltd.	Subsidiary of Shandong Port Group
Dongying Guangli Port Wharf Construction Co., Ltd.	Subsidiary of Shandong Port Group
Yellow River Delta Construction Engineering Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Port Group Co., Ltd. ("Longkou Port Group")	Subsidiary of Shandong Port Group
Longkou Xinggang Industry Co., Ltd.	Subsidiary of Shandong Port Group
Qingdao Shangang Cultural Industry Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Bonded Logistics Center Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Fuhua International Terminal Management Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Group Finance Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Group Co., Ltd. Bibo Hotel	Subsidiary of Shandong Port Group
Rizhao Port Container Development Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Construction Supervision Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Oil Terminal Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Haigang Labor Service Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Bingang Oil Terminal Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Binzhou Port Harbor Shipping Agency Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Bohai Bay Port Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Industry City Integration Development Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Industry City Integration Development Bohai Bay Co., Ltd.	Subsidiary of Shandong Port Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 Industry City Integration Development Yantai Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port International Trade Group Qingdao Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port International Trade Group Rizhao Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port International Trade Group Yantai Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Overseas Development Group Yantai 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. (“Shandong Port Shipping Group”)	Subsidiary of Shandong Port Group
Shandong Port Technology Group Rizhao Co., Ltd. (Used name: Rizhao Gangtong Communication Engineering Co., Ltd.)	Subsidiary of Shandong Port Group
Shandong Port Technology Group Yantai Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Technology	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics Rizhao Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Cruise Cultural Tourism Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Vocational Education Group Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Equipment Group Co., Ltd. (“Shandong Port Equipment Group”)	Subsidiary of Shandong Port Group
Shandong Land Sea Mutual Fund Management Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Province Crew Training Center Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Group Weifang Port Co., Ltd. (“Shandong Port Weifang Port”)	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics (Hainan) Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics (Xinjiang) Co., Ltd. (“Shandong Port Land and Sea (Xinjiang)”)	Subsidiary of Shandong Port Group
Shouguang Port Co., Ltd. (“Shouguang Port”)	Subsidiary of Shandong Port Group
Yantai Port Supply Chain Logistics Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Ro-Ro Logistics Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Group Laizhou Port Co., Ltd. (“Yantai Port Laizhou Port”)	Subsidiary of Shandong Port Group
Yantai Port Group Zhoushan Shipping Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Skills Training Center	Subsidiary of Shandong Port Group
Yantai Seaport International Shipping Agency Co., Ltd.	Subsidiary of Shandong Port Group
China Ocean Shipping Tally Yantai Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Sunshine Huicai Service Co., Ltd. (“Shandong Port Sunshine Huicai”)	Subsidiary of Shandong Port Group
Shandong Port Shipping Tongbao (Qingdao) Container Transportation Co., Ltd.	Subsidiary of Shandong Port Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 Land and Sea International Logistics (Zhengzhou) Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Land and Sea International Logistics (Lanzhou) Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Bipi Energy Trade Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port and Shipping Energy Trade Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Phoenix Bay Development and Construction Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Jingang Property Service Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Industry City Integration Development Rizhao Co., Ltd.	Subsidiary of Shandong Port Group
Laizhou Hairun Port Management Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Bingang Liquid Chemicals Terminal Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Port Marine Bunker Supply Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Port Haiyu Energy Logistics Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Port Group Railway Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Ganglong Handling Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Port Shipping Agency Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Haida Logistics Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Haina Warehouse Co., Ltd.	Subsidiary of Shandong Port Group
Longkou Yanghong Haida Logistics Co., Ltd.	Subsidiary of Shandong Port Group
China Ocean Shipping Tally Longkou Co., Ltd.	Subsidiary of Shandong Port Group
Penglai Port Passenger Terminal Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Ship Machinery Industry Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Lanshan Wansheng Port Industry Co., Ltd. (“Rizhao Lanshan Port”)	Subsidiary of Shandong Port Group
Rizhao Port Group Lanshan Port Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Shangang Terminal Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Zhongli Inspection and Testing Certification Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Engineering Senior Technical School Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Rizhao Port Group Co., Ltd. (“Rizhao Port Group”) (Used name: Rizhao Port Group Co., Ltd.)	Subsidiary of Shandong Port Group
Shandong Port Shihua Haihui Industry and Trade Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Yantai Port Group Co., Ltd. (“Yantai Port Group”) (Used name: Yantai Port Group Co., Ltd.)	Subsidiary of Shandong Port Group
Yantai Port Container Terminals Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Barge Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Western Port Area Development Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Port Operation Guarantee Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Huigang Handling Co., Ltd.	Subsidiary of Shandong Port Group
Yantai Tongsan Ferry Terminal Co., Ltd.	Subsidiary of Shandong Port Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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
Qingdao Shangang Creative Industry Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Bonded Logistics Center Co., Ltd. Rizhao Port Bonded Store	Subsidiary of Shandong Port Group
Rizhao Gangwan Engineering Inspection Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Information Technology Co., Ltd.	Subsidiary of Shandong Port Group
Shandong Port Overseas Development Group Rizhao Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Lingang International Logistics Co., Ltd.	Subsidiary of Shandong Port Group
Rizhao Port Machinery Engineering Co., Ltd. (“Rizhao Port Machinery Engineering”)	Subsidiary of Shandong Port Group
Rizhao Kingda Shipbuilding Heavy Industry Co., Ltd.	Subsidiary of Shandong Port Group
China Ocean Shipping Group Co., Ltd. (“China Ocean Shipping Group”) (i)	Minority shareholders with significant influence over the Group
COSCO SHIPPING Special Transportation Co., Ltd. (“COSCO SHIPPING Special Transportation”)	Controlled by COSCO shipping group
COSCO SHIPPING Lines Co., Ltd. (“COSCO SHIPPING Lines”)	Controlled by COSCO shipping group
China Rizhao Ocean Shipping Agency Co., Ltd. (“Rizhao Ocean Shipping Agency”)	Controlled by COSCO shipping group
China Qingdao Ocean Shipping Agency Co., Ltd. (“Qingdao Ocean Shipping Agency”)	Controlled by COSCO shipping group
China Marine Bunker Qingdao Co., Ltd. (“China Marine Bunker Qingdao”)	Controlled by COSCO shipping group
Sanlly Container Service Co., Ltd. (“Sanlly Container”)	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd. (“Xinxinhai Shipping”)	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co., Ltd. (“COSCO Weizhi Container Logistics”)	Controlled by COSCO shipping group
Shanghai Pan-Asia Shipping Co., Ltd. (“Shanghai Pan-Asia Shipping”)	Controlled by COSCO shipping group
COSCO SHIPPING Lines (Qingdao) Co., Ltd. (“COSCO SHIPPING Lines Qingdao”)	Controlled by COSCO shipping group
Qingdao Zhongran Industrial Co., Ltd. (“Zhongran Industrial”)	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. (“Ocean & Great Asia”)	Controlled by COSCO shipping group
Lianyungang Ocean Fluid Handling Equipment Co., Ltd. (“Lianyungang Ocean Fluid”)	Controlled by COSCO shipping group
Orient Overseas Container Line (China) Co., Ltd. (“OOCL”)	Controlled by COSCO shipping group
Orient Overseas Logistics (China) Co., Ltd.	Controlled by COSCO shipping group
COSCO SHIPPING Lines (Henan) Co., Ltd.	Controlled by COSCO shipping group
Henan COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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
South China COSCO Shipping Container Lines Co., Ltd.	Controlled by COSCO shipping group
Qingdao Harbor International Logistics Co., Ltd. ("Harbor Logistics")	Controlled by COSCO shipping group
Qingdao Ocean Shipping Daya Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Konoike Logistics Co., Ltd.	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Engineering Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Air Freight Forwarding Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Communication Technology Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Supply Chain Co., Ltd. ("COSCO Shipping Logistics Supply Chain")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Co., Ltd. ("COSCO Shipping Logistics")	Controlled by COSCO shipping group
Rizhao Port United International Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Logistics Rizhao Port Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Agency (Rizhao) Co., Ltd.	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
Xi'an COSCO Shipping Container Lines Co., Ltd.	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
COSCO SHIPPING Ports Abu Dhabi Terminal Co., Ltd. ("Abu Dhabi Terminal")	Controlled by COSCO shipping group
COSCO Shipping (Hong Kong) Investment Development Co., Ltd.	Controlled by COSCO shipping group
Shanghai COSCO Shipping Special Transportation Co., Ltd.	Controlled by COSCO shipping group
China Ocean Shipping Tally Rizhao Co., Ltd.	Controlled by COSCO shipping group
(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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

Purchase of goods or services:

Related party	Contents of transactions	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Port Group and its subsidiaries*		109,217,932	53,083,653
Fuwai Hospital*	Receiving medical services	28,765,539	15,922,699
QDP Investment Group*	Purchasing engineering materials and receiving engineering services	17,794,417	27,028,866
Qinggang Shihua*	Purchasing fuel	27,271,291	—
Qingdao Port Group*	Receipt of fire protection services	10,744,275	214,447
Weihai Gangsheng Shipping*	Receiving of Loading & unloading and logistics services	7,065,585	—
Hongyu Hotel*	Receiving of catering services	6,678,193	5,203,094
Weihai Port*	Receiving of Loading & unloading and logistics services	3,650,943	—
Qingdao Port Investment Real Estate*	Receipt of water supply services	2,589,185	1,341,879
Other subsidiaries of Qingdao Port Group *	Receiving of Loading & unloading and logistics services	4,658,504	3,372,668
COSCO SHIPPING Group and its subsidiaries**		372,944,707	242,619,662
China Marine Bunker Qingdao**	Purchasing fuel	183,480,016	187,461,827
COSCO SHIPPING Lines Qingdao**	Receiving of Loading & unloading and logistics services	93,405,619	32,987,087
OOCL**	Receiving of Loading & unloading and logistics services	39,072,317	1,859,516
Qingdao Ocean Shipping Agency**	Receiving of Loading & unloading and logistics services	33,220,860	10,041,042
United Shipping Agency**	Receiving of Loading & unloading and logistics services	11,056,006	220,220
Shanghai Pan-Asia Shipping**	Receiving of Loading & unloading and logistics services	4,671,766	2,066,279
Zhongran Industrial**	Receiving of logistics services	1,716,405	1,794,399
Lianhai Logistics**	Receiving of Loading & unloading and logistics services	789,082	601,509
Shenzhouxing Cargo Agency**	Receiving of logistics services	463,068	338,350
COSCO SHIPPING Lines**	Receiving of Loading & unloading and logistics services	57,109	—
Other COSCO Shipping Group Companies **	Receiving of Loading & unloading and logistics services	5,012,459	5,249,433

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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)

Purchase of goods or services (Continued):

Related party	Contents of transactions	Year ended 31 December 2021	Year ended 31 December 2020
Qinggang Shihua	Receiving of Loading & unloading and logistics services	421,502,926	5,705,396
Qingdao Port Engineering	Receiving of engineering and design services	331,068,719	—
West United	Receiving of Loading & unloading and logistics services	87,268,986	131,699,161
Luhai International Logistics	Receiving of Loading & unloading and logistics services	83,502,940	32,672,685
Huaneng Qingdao	Receiving of Loading & unloading and logistics services	61,321,616	45,423,335
Shandong Port Land and Sea Liaocheng	Receiving of Loading & unloading and logistics services	59,143,474	—
Shandong Harbor Construction Group	Receiving of Loading & unloading and logistics services	46,172,762	4,007,161
QDOT	Receiving of Loading & unloading and logistics services	30,774,851	20,969,113
QQCT	Receiving of Loading & unloading and logistics services	24,428,440	5,059,933
Dongjiakou Railway	Receiving of Loading & unloading and logistics services	23,841,757	20,039,300
QQCTU	Receiving of Loading & unloading and logistics services	16,866,037	18,315,027
Linyi Express	Receiving of Loading & unloading and logistics services	11,901,687	—
Shandong Port Energy	Purchasing fuel	6,492,482	—
Shenzhen UA	Receiving of logistics services	4,054,110	1,573,085
QQCTN	Receiving of Loading & unloading and logistics services	3,872,386	1,212,471
Other related parties	Receiving of Loading & unloading, logistics, training, traveling and factoring services	35,386,582	18,710,320
		<u>1,729,762,394</u>	<u>601,090,302</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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:

Related party	Contents of transactions	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Port Group and its subsidiaries*		95,045,050	92,810,753
Qingdao Port Group *	Rendering of operation & maintenance, property, communication and other services	41,274,886	34,434,186
QDP Investment Group*	Rendering of operation & maintenance, property, communication and other services	15,186,767	24,332,402
QDP Pilot Station *	Rendering of operation & maintenance, property, communication and other services	11,864,732	19,772,797
Qingwei Container*	Rendering of transporting, loading& unloading, repairing and other services	7,140,943	393,129
Shandong Port Financial Holdings*	Rendering of operation & maintenance, property, communication and other services	4,195,222	1,096,416
Weihai Jinfeng Freight Forwarding*	Rendering of transporting, loading& unloading, repairing and other services	2,551,666	2,422,985
Qingdao Port Investment Real Estate*	Rendering of operation & maintenance, property, communication and other services	1,993,686	1,643,286
Weihai Gangtong Technology*	Rendering of operation & maintenance, property, communication and other services	1,799,754	673,779
Weihai Gangsheng Shipping*	Rendering of transporting, loading& unloading, repairing and other services	1,406,187	3,011,013
International Cruises*	Rendering of transporting, loading& unloading, repairing and other services	782,463	941,203
Huanhai Bay Development & Construction*	Rendering of operation & maintenance, property, communication and other services	686,346	—
QHVTC*	Rendering of operation & maintenance, property, communication and other services	425,922	1,352,794
Other subsidiaries of Qingdao Port Group *	Rendering of transporting, loading& unloading, repairing and other services	5,736,476	2,736,763

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
COSCO SHIPPING Group and its subsidiaries**		454,292,844	376,630,874
Qingdao Ocean Shipping Agency**	Rendering of transporting, loading& unloading, repairing and other services	193,910,071	119,495,637
Shenzhouxing Cargo Agency**	Rendering of transporting, loading& unloading, repairing and other services	58,538,426	44,158,046
Ocean & Great Asia**	Rendering of transporting, loading& unloading, repairing and other services	55,122,878	46,432,622
COSCO SHIPPING Lines**	Rendering of transporting, loading& unloading, repairing and other services	22,473,313	19,630,838
COSCO SHIPPING Lines Qingdao**	Rendering of transporting, loading& unloading, repairing and other services	22,450,972	30,063,517
Lianhai Logistics**	Rendering of transporting, loading& unloading, repairing and other services	16,312,727	18,861,345
Orient Container**	Rendering of transporting, loading& unloading, repairing and other services	13,043,062	10,895,654
United Shipping Agency**	Rendering of transporting, loading& unloading, repairing and other services	10,395,169	11,624,052
Shanghai Pan-Asia Shipping**	Rendering of transporting, loading& unloading, repairing and other services	10,327,154	11,744,639
China Shipping Agency**	Rendering of transporting, loading& unloading, repairing and other services	8,850,906	17,797,249
Ocean Bridge International**	Rendering of transporting, loading& unloading, repairing and other services	6,206,448	2,770,475
COSCO Shipping Logistics Supply Chain**	Rendering of transporting, loading& unloading, repairing and other services	6,065,215	562,190
COSCO SHIPPING Special Transportation**	Rendering of transporting, loading& unloading, repairing and other services	5,384,057	12,248,569
Xinxinhai Shipping**	Rendering of transporting, loading& unloading, repairing and other services	5,356,306	8,536,548

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
Abu Dhabi Terminal**	Rendering of transporting, loading& unloading, repairing and other services	4,119,168	2,831,695
COSCO Shipping Logistics**	Rendering of transporting, loading& unloading, repairing and other services	4,080,699	7,261,192
COSCO Weizhi Container Logistics**	Rendering of transporting, loading& unloading, repairing and other services	4,029,130	5,652,411
OOCL**	Rendering of transporting, loading& unloading, repairing and other services	1,651,827	1,572,881
Other COSCO Shipping Group Companies **	Rendering of transporting, loading& unloading, repairing and other services	5,975,316	4,491,314
Luhai International Logistics	Rendering of transporting, loading& unloading, repairing and other services	314,649,870	121,431,409
QQCT	Rendering of transporting, loading& unloading, repairing and other services	179,752,237	214,251,984
QDOT	Rendering of transporting, loading& unloading, repairing and other services	121,903,394	90,907,198
QQCTU	Rendering of transporting, loading& unloading, repairing and other services	94,297,798	127,751,408
Qingdao Shihua	Rendering of transporting, loading& unloading, repairing and other services	84,478,041	140,071,546
QQCTN	Rendering of transporting, loading& unloading, repairing and other services	52,451,923	35,856,883
Land and Sea International Logistics Bohai Bay	Rendering of transporting, loading& unloading, repairing and other services	42,476,515	1,739
QQCTUA	Rendering of transporting, loading& unloading, repairing and other services	42,390,819	18,001,708
Evergreen Container	Rendering of transporting, loading& unloading, repairing and other services	31,885,368	30,454,451
Ganghai Logistics	Rendering of transporting, loading& unloading, repairing and other services	24,684,454	13,697,089

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
Shandong Port Group Co., Ltd.	Rendering of transporting, loading& unloading, repairing and other services	17,813,297	9,416,158
West United	Rendering of transporting, loading& unloading, repairing and other services	13,053,430	21,079,692
Lianrong Logistics	Rendering of transporting, loading& unloading, repairing and other services	10,533,668	8,693,189
Dongjiakou Railway*	Rendering of transporting, loading& unloading, repairing and other services	6,974,112	49,706
Shangang International Trade	Rendering of transporting, loading& unloading, repairing and other services	6,310,688	17,037
Shandong Port Weifang Port	Rendering of transporting, loading& unloading, repairing and other services	5,782,085	—
Shandong Harbor Construction Group	Rendering of transporting, loading& unloading, repairing and other services	5,532,571	7,707,908
Binzhou Port QDP International Terminal	Rendering of transporting, loading& unloading, repairing and other services	5,186,715	5,945,554
Shandong Port Land and Sea (Xinjiang)	Rendering of transporting, loading& unloading, repairing and other services	4,059,384	—
Other related parties	Rendering of transporting, loading& unloading, operation & maintenance and other services	19,383,739	16,633,327
		1,632,938,002	1,331,409,613
Qingdao Port Group and its subsidiaries*		91,556,202	86,851,600
QDP Investment Group*	Rendering of construction services	44,762,410	7,174,630
Qingdao Port Group *	Rendering of construction services	32,062,905	66,936,918
Huanhai Bay Development & Construction*	Rendering of construction services	13,520,800	—
QHVTC*	Rendering of construction services	1,099,419	—
Qingdao Port Investment Real Estate*	Rendering of construction services	110,668	12,024,455
Other subsidiaries of Qingdao Port Group *	Rendering of construction services	—	715,597

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
COSCO SHIPPING Group and its subsidiaries**		1,980,550	3,797,020
Orient Container**	Rendering of construction services	818,629	2,450,026
COSCO Shipping Logistics**	Rendering of construction services	587,156	—
Lianhai Logistics**	Rendering of construction services	216,967	706,847
Dalian COSCO Shipping Heavy Industry **	Rendering of construction services	—	380,000
Other COSCO Shipping Group Companies **	Rendering of construction services	357,798	260,147
QQCTN	Rendering of construction services	96,689,428	150,879,641
QDOT	Rendering of construction services	27,373,287	192,939,973
Qingdao Shihua	Rendering of construction services	11,801,963	16,840,933
QQCT	Rendering of construction services	11,361,043	9,117,096
West United	Rendering of construction services	7,847,882	47,096,497
Rizhao Port	Rendering of construction services	5,489,317	4,000,000
Shandong CCCC Navigation	Rendering of construction services	4,761,670	—
Shandong Port Weifang Port	Rendering of construction services	4,642,202	—
Evergreen Container	Rendering of construction services	1,192,661	1,111,899
QQCTU	Rendering of construction services	601,191	16,773,538
Shandong Harbor Construction Group	Rendering of construction services	—	38,585,229
Other related parties	Rendering of construction services	1,877,834	1,448,704
		267,175,230	569,442,130
Qingdao Port Group and its subsidiaries*		19,775,980	12,594,330
QDP Investment Group*	Sales of water, electricity, steam and oil	4,618,581	3,117,958
Qingdao Port Group *	Sales of water, electricity, steam and oil	3,466,976	5,243,523
Qingwei Container*	Sales of water, electricity, steam and oil	2,695,561	453,168
Weihai Shichang Logistics*	Sales of water, electricity, steam and oil	2,182,761	—
Weihai Port*	Sales of water, electricity, steam and oil	2,009,288	861,968
Other subsidiaries of Qingdao Port Group *	Sales of water, electricity, steam and oil	4,802,813	2,917,713

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
COSCO SHIPPING Group and its subsidiaries**		11,963,235	17,668,995
Shenzhouxing Cargo Agency**	Sales of water, electricity, steam and oil	4,892,391	3,949,064
Lianhai Logistics**	Sales of water, electricity, steam and oil	2,433,574	2,181,559
Orient Container**	Sales of water, electricity, steam and oil	2,250,742	1,962,910
Zhongran Industrial**	Sales of water, electricity, steam and oil	1,961,575	9,245,990
Other COSCO Shipping Group Companies **	Sales of water, electricity, steam and oil	424,953	329,472
QDOT	Sales of water, electricity, steam and oil	164,695,111	146,279,527
QQCT	Sales of water, electricity, steam and oil	136,496,525	114,124,750
QQCTN	Sales of water, electricity, steam and oil	60,983,082	41,850,707
QQCTUA	Sales of water, electricity, steam and oil	15,076,375	13,524,252
Qingdao Shihua	Sales of water, electricity, steam and oil	11,184,466	9,807,245
Yantai Port	Sales of water, electricity, steam and oil	11,141,416	—
West United	Sales of water, electricity, steam and oil	10,922,488	20,954,142
Rizhao Port	Sales of water, electricity, steam and oil	9,968,311	—
QQCTU	Sales of water, electricity, steam and oil	9,946,584	7,342,923
Evergreen Container	Sales of water, electricity, steam and oil	6,126,215	4,777,465
Longkou Port Group	Sales of water, electricity, steam and oil	3,128,066	—
Shandong Port Group Co., Ltd.	Sales of water, electricity, steam and oil	2,638,495	224,797
Rizhao Lanshan Port	Sales of water, electricity, steam and oil	2,369,253	—
Qingdao Port Engineering	Sales of water, electricity, steam and oil	2,099,368	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
Penglai Port	Sales of water, electricity, steam and oil	2,065,186	—
Huaneng Qingdao	Sales of water, electricity, steam and oil	1,632,435	1,472,296
Yantai Port Laizhou Port	Sales of water, electricity, steam and oil	1,596,233	—
Lianrong Logistics	Sales of water, electricity, steam and oil	1,177,291	904,040
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil	1,038,730	1,094,775
Rizhao Port Group	Sales of water, electricity, steam and oil	1,034,976	—
Shouguang Port	Sales of water, electricity, steam and oil	748,373	—
Shandong CCCC Navigation	Sales of water, electricity, steam and oil	732,775	—
Binzhou Port QDP International Terminal	Sales of water, electricity, steam and oil	721,150	46,018
Other related parties	Sales of water, electricity, steam and oil	4,604,499	2,562,131
		493,866,618	395,228,393
Qingdao Port Group and its subsidiaries*		26,025,958	73,770,178
Qingwei Container*	Sales of port machinery and other equipment	23,422,330	69,820,708
Weihai Port*	Sales of port machinery and other equipment	2,603,628	—
QDP Investment Group*	Sales of port machinery and other equipment	—	3,776,885
International Cruises*	Sales of port machinery and other equipment	—	172,585
COSCO SHIPPING Group and its subsidiaries**	Sales of port machinery and other equipment	103,167	—
Rizhao Port	Sales of port machinery and other equipment	310,300,000	10,070,000
QQCT	Sales of port machinery and other equipment	69,194,065	195,550,169

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
Shandong Harbor Construction Group	Sales of port machinery and other equipment	32,522,124	—
West United	Sales of port machinery and other equipment	25,512,035	—
QDOT	Sales of port machinery and other equipment	4,994,541	41,627,168
Yantai Port	Sales of port machinery and other equipment	1,121,239	24,720,000
QQCTN	Sales of port machinery and other equipment	—	70,450,762
Penglai Port	Sales of port machinery and other equipment	—	10,920,354
Binzhou Port	Sales of port machinery and other equipment	—	8,185,293
Other related parties	Sales of port machinery and other equipment	536,067	4,620,000
		<u>470,309,196</u>	<u>439,913,924</u>
		<u>2,864,289,046</u>	<u>2,735,994,060</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Lease income confirmed for the year ended 2020
Qingdao Port Group and its subsidiaries*		2,318,002	2,014,087
Qingdao Port Group*	Buildings, Machinery & equipment	1,157,176	79,646
QDP Pilot Station*	Buildings, port facilities	—	1,463,557
Other subsidiaries of Qingdao Port Group*	Buildings, storage facilities and machinery & equipment	1,160,826	470,884
COSCO SHIPPING Group and its subsidiaries**		20,460,342	18,258,119
Orient Container**	Storage facilities	8,031,210	7,969,450
Lianhai Logistics**	Storage facilities and machinery & equipment	6,598,062	6,544,186
Shenzhouxing Cargo Agency**	Storage facilities and machinery & equipment	5,357,514	3,592,102
Other COSCO Shipping Group Companies **	Storage facilities, vehicles	473,556	152,381
QQCT	Buildings, storage facilities, port facilities and vehicles	227,656,171	225,002,280
Qingdao Shihua	Storage facilities, vehicles	172,408,882	151,476,957
Shangang International Trade	Storage facilities	18,309,326	16,981,132
Evergreen Container	Buildings, port facilities	10,520,343	10,023,083
QQCTU	Buildings, Storage facilities and vehicles	9,312,137	9,749,122
QDOT	Storage facilities, vehicles	7,460,000	11,827,644
QQCTN	Port facilities and vehicles	7,303,677	6,226,806
Lianrong Logistics	Storage facilities	4,850,542	5,164,108
QQCTUA	Port facilities	2,187,048	2,349,714
West United	Storage facilities, vehicles	1,478,202	547,181
Linyi Express	Machinery & equipment	721,922	134,071
Qingdao Port Engineering	Buildings, port facilities	352,637	—
Shandong Port Energy	Storage facilities and machinery & equipment	310,821	—
PetroChina Storage	Machinery & equipment	232,035	—
Other related parties	Storage facilities, vehicles	243,247	217,842
		<u>486,125,334</u>	<u>459,972,146</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 2021
(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:

Related Parties	Lease asset type	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Port Group	Buildings	<u>161,517,610</u>	<u>—</u>

Interest expense from lease liabilities incurred by the Group as a lessee:

Related Parties	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Leasing	11,502,551	25,346,534
Qingdao Port Group	<u>3,168,603</u>	<u>—</u>
	<u>14,671,154</u>	<u>25,346,534</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Lease fee confirmed for the year ended 2020
Qingdao Port Group and its subsidiaries*		128,191,659	98,530,730
Qingdao Port Group *	Storage facilities	87,830,447	74,519,665
QDP Investment Group*	Buildings, storage facilities and land use rights	36,523,076	21,645,078
Other subsidiaries of Qingdao Port Group *	Buildings	3,838,136	2,365,987
COSCO SHIPPING Group and its subsidiaries**	Buildings	149,618	121,642
QQCTU	Storage facilities	13,002,242	11,354,961
West United	Buildings, Storage facilities	11,113,668	10,148,221
QDOT	Storage facilities	8,510,125	—
QQCTN	Machinery & equipment	7,400,612	8,073,395
Dongjiakou Sinotrans Logistics	Storage facilities	3,238,095	3,238,095
Qingdao Shihua	Storage facilities	—	18,039,004
Other related parties	Buildings, Storage facilities, Machinery & equipment	2,630,806	2,978,231
		<u>174,236,825</u>	<u>152,484,279</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 2021
(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	30,000,000	2021-01-14	2022-01-13
QDOT	30,000,000	2021-01-28	2022-01-27
QDOT	100,000,000	2021-02-22	2026-02-21
QDOT	20,000,000	2021-03-16	2022-03-15
QDOT	30,000,000	2021-09-16	2022-09-15
QDOT	140,000,000	2021-10-18	2026-10-17
QDOT	30,000,000	2021-11-08	2022-11-07
QDOT	30,000,000	2021-11-25	2022-11-24
QDOT	30,000,000	2021-12-16	2022-12-15
Fuwai Hospital	20,000,000	2021-09-16	2022-09-15
Fuwai Hospital	30,000,000	2021-10-14	2022-10-13
QDP Investment Group	350,000,000	2021-03-12	2022-03-11
Qingdao Port Engineering	20,000,000	2021-11-15	2022-11-14
Qingdao Port Engineering	103,882,490	2021-12-28	2023-04-15
Qingdao Port Engineering	128,848,990	2021-12-28	2022-08-15
Qinggang Shihua	27,311,739	2021-08-27	2021-09-11
Qinggang Shihua	18,648,000	2021-08-31	2021-09-15
Qinggang Shihua	20,000,000	2021-12-02	2021-12-27
Qinggang Shihua	34,117,182	2021-12-03	2021-12-23
Rizhao Bulk Commodity Supply Chain	31,000,000	2021-01-08	2022-01-07
Rizhao Bulk Commodity Supply Chain	4,000,000	2021-06-10	2022-06-09
Rizhao Bulk Commodity Supply Chain	5,000,000	2021-06-30	2022-06-29
Rizhao Bulk Commodity Supply Chain	7,000,000	2021-07-19	2022-07-18
Rizhao Bulk Commodity Supply Chain	20,000,000	2021-12-27	2022-03-27
Shandong Board of Trade	10,000,000	2021-11-30	2022-11-29
Shandong Port Supply Chain	45,000,000	2021-08-13	2021-10-12
Shandong Port Supply Chain	14,000,000	2021-08-30	2021-11-28
Shandong Port Supply Chain	20,000,000	2021-10-15	2021-12-13
Shandong Port Supply Chain	23,000,000	2021-10-25	2021-12-19
Shandong Port Supply Chain	15,000,000	2021-12-10	2022-03-10
Shandong Port Supply Chain	24,000,000	2021-12-15	2022-03-14
Shandong Port Supply Chain	19,000,000	2021-12-27	2022-03-27
Shandong Port Supply Chain	10,000,000	2021-12-30	2022-03-01
Shandong Port Supply Chain	26,200,000	2021-12-31	2022-03-30
Shandong Port International Trade Group			
Qingdao Co., Ltd.	145,400,000	2021-10-29	2022-04-29
Shandong Port International Trade Group			
Qingdao Co., Ltd.	116,820,000	2021-11-22	2022-03-22

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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)

Lend out (Continued) –

	Amount	Starting date	Due Date
Shandong Port International Trade Group Qingdao Co., Ltd.	107,770,000	2021-11-25	2022-03-25
Shandong Port International Trade Group Qingdao Co., Ltd.	100,000,000	2021-11-30	2022-03-30
Shandong Port International Trade Group Qingdao Co., Ltd.	53,100,000	2021-12-03	2022-04-03
Shandong Port International Trade Group Qingdao Co., Ltd.	115,440,000	2021-12-07	2022-04-07
Shandong Port International Trade Group Qingdao Co., Ltd.	48,960,000	2021-12-10	2022-04-10
Shandong Port International Trade Group Qingdao Co., Ltd.	102,000,000	2021-12-10	2022-03-10
Shandong Port International Trade Group Qingdao Co., Ltd.	81,309,600	2021-12-10	2022-06-10
Shandong Port International Trade Group Qingdao Co., Ltd.	32,640,000	2021-12-13	2022-04-13
Shandong Port International Trade Group Qingdao Co., Ltd.	11,249,692	2021-12-20	2022-04-20
Shandong Port International Trade Group Qingdao Co., Ltd.	47,790,000	2021-12-21	2022-03-21
Shandong Port International Trade Group Qingdao Co., Ltd.	2,821,458	2021-12-23	2022-03-23
Shandong Port International Trade Group Qingdao Co., Ltd.	554,000,000	2021-12-31	2022-06-30
Weihai Port	70,000,000	2021-06-29	2022-06-28
Weihai Port Group	100,000,000	2021-06-29	2022-06-28
Weihai Port Group	200,000,000	2021-11-10	2022-11-09
West United	50,000,000	2021-12-31	2022-12-30
PetroChina Storage	10,184,997	2021-04-28	2026-04-27
PetroChina Storage	3,727,109	2021-10-27	2026-10-26
PetroChina Storage	2,777,327	2021-12-28	2026-12-27
	<u>3,421,998,584</u>		

Maturity dates of the above loans refer to final maturity dates agreed in the contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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)

Obtaining factoring loan –

	Amount	Starting date	Due Date
Shandong Port Commercial Factoring	22,101,545	2021-04-19	2021-05-13
Shandong Port Commercial Factoring	50,000,000	2021-12-31	2022-03-30
Shandong Port Commercial Factoring	40,000,000	2021-04-25	2021-10-22
Shandong Port Commercial Factoring	2,861,043	2021-03-19	2022-11-24
Micro Lending Company	4,709,576	2021-03-19	2022-03-24
Micro Lending Company	4,624,983	2021-03-19	2022-04-25
Micro Lending Company	4,664,904	2021-03-19	2022-05-24
Micro Lending Company	5,951,718	2021-03-19	2022-06-24
Micro Lending Company	4,599,111	2021-03-19	2022-08-24
Micro Lending Company	4,575,961	2021-03-19	2022-09-26
Micro Lending Company	4,556,501	2021-03-19	2022-10-24
	<u>148,645,342</u>		

Discounted notes –

	Year ended 31 December 2021	Year ended 31 December 2020
QDOT	<u>50,813,236</u>	<u>59,404,854</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021	Year ended 31 December 2020
QDOT	50,425,883	36,127,998
QQCTN	42,680,872	42,710,667
QDP Investment Group	22,150,872	22,261,488
QQCTU	20,080,329	25,129,529
Weihai Port	19,340,124	14,674,338
QQCT	18,486,597	15,266,652
Weihai Port Group	6,076,354	7,318,396
Fuwai Hospital	4,916,372	3,814,102
QQCTUA	4,311,546	3,725,657
Shandong Port International Trade Group Qingdao Co., Ltd.	2,955,649	—
PetroChina Storage	2,737,601	859,369
Other related parties	7,204,328	7,922,937
	<u>201,366,527</u>	<u>179,811,133</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 expenses for deposits from customers and funds borrowed –

	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Shihua	17,825,918	8,593,214
QQCT	12,205,198	13,507,598
Qingdao Port Group	9,697,514	12,603,973
Shandong Port Financial Holdings	4,976,502	10,427,277
QQCTN	4,689,594	1,885,431
International Cruise Port Development & Construction	3,253,240	357,410
Shandong Gainsense Futures	2,581,566	—
QQCTU	2,578,423	2,150,614
Dongjiakou IMC Logistics	2,377,523	2,426,225
Shandong Port Commercial Factoring	1,771,597	2,548
QDP Investment Group	1,548,233	4,336,852
Micro Lending Company	1,274,331	3
QQCTUA	1,244,082	1,119,266
West United	597,427	811,231
QDOT	495,658	609,783
Assets Management Company	481,445	86,300
QDP CTC	471,126	—
Qingdao Port Travel Agency	426,343	281,919
Yongli Insurance	377,473	211,899
Lianhai Logistics	355,870	323,723
Fuwai Hospital	338,313	402,843
Qingdao Leasing	304,360	439,390
QQCTI	—	2,436,119
Other related parties	2,507,659	2,294,444
	<u>72,379,395</u>	<u>65,308,062</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Investment income

	Year ended 31 December 2021	Year ended 31 December 2020
QQCT	828,988,934	828,639,249
Qingdao Shihua	363,146,233	346,797,011
Qingdao Port Engineering	111,962,216	—
Unitrans	20,818,357	14,592,372
Technology Company	20,345,555	—
Evergreen Container	18,768,278	17,507,063
Qingwei Container	16,135,032	21,688,292
Qingyin Financial Leasing	12,958,078	10,899,584
Shenzhouxing Cargo Agency	11,673,175	10,060,066
Tongbao Shipping	10,221,440	—
Yongli Insurance	5,397,247	47,232,463
Orient Container	5,342,297	5,657,884
Huaneng Qingdao	4,327,074	(10,974,699)
Lianrong Logistics	3,241,371	2,397,742
United Shipping Agency	2,110,793	1,860,512
Binzhou Port QDP International Terminal	1,843,949	8,669,305
Lianhai Logistics	1,840,904	1,345,648
Ocean Bridge International	1,166,946	399,066
Haiwan Liquid Chemical	1,152,800	308,567
Shandong Port Energy	1,079,663	312,474
PetroChina Storage	1,045,492	(29,844)
West United	485,609	30,762,241
Ganghai Logistics	161,366	1,016,127
China Shipping Agency	125,903	677,421
QDP CTC	71,148	1,241,154
Linyi Express	25,630	96,171
Overseas Development	24,793	—
Dongjiakou Wanbang Logistics	(21,231)	12,020,456
Dongjiakou Sinotrans Logistics	(279,474)	406,909
Binzhou Port QDP International Terminal	(1,115,174)	—
Vado Investment	(9,211,700)	(2,722,526)
QDOT	(32,690,631)	(14,398,097)
COSCO Abu Dhabi	(89,830,683)	—
	<u>1,311,311,390</u>	<u>1,336,462,611</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Remuneration of key management

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration of key management	<u>11,020,485</u>	<u>9,389,154</u>

(f) 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 2021	Year ended 31 December 2020
Funds received under the entrustment of related parties –		
QQCT	322,095,411	310,340,416
QQCTU	63,775,954	132,156,102
QQCTUA	15,160,074	36,552,774
QQCTN	<u>103,986,451</u>	<u>61,697,226</u>
	<u>505,017,890</u>	<u>540,746,518</u>
Funds paid to related parties –		
QQCT	318,059,744	318,509,244
QQCTU	63,624,309	139,250,473
QQCTUA	14,213,688	36,807,000
QQCTN	<u>102,117,797</u>	<u>60,929,517</u>
	<u>498,015,538</u>	<u>555,496,234</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 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(f) Other related party transactions (Continued)

(ii) Port dues received by related parties on behalf of the Company

	Year ended 31 December 2021	Year ended 31 December 2020
Qingdao Shihua	108,705,292	117,239,897
QQCT	70,706,256	62,247,123
QDOT	43,486,704	27,770,027
QQCTU	24,662,232	21,706,141
QQCTN	24,289,611	13,666,468
West United	7,143,407	6,444,608
QQCTUA	7,750,534	5,707,973
	<u>286,744,036</u>	<u>254,782,237</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 2021	Year ended 31 December 2020
QDOT	69,326,185	67,290,309
QQCT	66,874,027	71,791,176
QQCTU	37,075,468	30,952,650
Qingdao Shihua	29,457,456	22,836,226
Qingdao Port Engineering	21,508,161	—
West United	18,239,429	28,074,216
QQCTN	14,688,494	12,695,111
Qingdao Port Group	10,234,715	15,811,683
Evergreen Container	5,864,531	5,717,280
Fuwai Hospital	3,682,857	3,243,235
Yantai Port Group	3,660,634	171,933
QHVTC	3,206,514	3,460,216
Shenzhouxing Cargo Agency	2,720,718	2,531,580
Orient Container	1,789,074	3,572,238
QDP Investment Group	1,426,496	1,888,512
Haiwan Liquid Chemical	1,342,543	2,151,584
Lianhai Logistics	1,124,163	1,041,567
Luhai International Logistics	986,553	3,077,185
Huaneng Qingdao	923,556	1,136,186
International Cruises	417,904	2,070,006
Other related parties	10,054,845	9,327,507
	<u>304,604,323</u>	<u>288,840,400</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(f) Other related party transactions (Continued)

(iv) 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 9(2).

(v) Disposal of subsidiaries

In 2021, the Group transferred the equity of bulk commodity to Shandong Board of Trade and Shandong Port International Trade Group Qingdao Co., Ltd., and contributed to Shandong Port Shipping with the equity of Tongbao Shipping, and contributed to Shandong Harbor Construction with the equity of Qingdao Port Engineering, which was set out in Note 5(1).

(6) Related party balance

(a) Notes receivable

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Port Engineering	9,620,777	(164,231)	—	—
International Cruises	2,057,593	(35,124)	2,984,507	(149,225)
QDOT	2,000,000	(34,141)	25,000,000	(1,250,000)
Qingdao Port Investment				
Real Estate	1,191,028	(20,331)	—	—
Qingdao Port Group	—	—	10,057,975	(502,899)
QQCTN	—	—	4,000,000	(200,000)
West United	—	—	3,297,715	(164,886)
	<u>14,869,398</u>	<u>(253,827)</u>	<u>45,340,197</u>	<u>(2,267,010)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(b) Accounts receivable

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	184,980,312	(53,834,827)	501,509,272	(45,674,017)
QDOT	115,794,748	(9,120,582)	374,584,910	(21,476,666)
QQCTU	85,588,545	(3,054,954)	164,492,553	(5,772,212)
Qingdao Shihua	70,956,983	(1,821,200)	55,680,675	(2,230,183)
Rizhao Port	62,303,462	(2,599,448)	14,094,800	(483,475)
QQCT	33,506,664	(1,406,123)	171,516,017	(6,020,587)
Luhai International Logistics	32,140,635	(738,374)	39,464,407	(1,353,696)
Land and Sea International				
Logistics Bohai Bay	30,399,454	(698,373)	—	—
QDP Investment Group	26,754,465	(2,970,266)	131,638,446	(18,442,761)
Binzhou Port QDP				
International Terminal	21,254,225	(895,239)	—	—
Yantai Port	20,254,772	(740,713)	20,100,000	(689,464)
QQCTUA	14,679,679	(347,552)	13,852,763	(498,158)
Qingdao Leasing	14,400,000	(5,790,785)	14,400,000	(1,974,258)
Qingwei Container	13,341,233	(533,090)	55,744,929	(1,912,145)
Shandong Port Group				
Co., Ltd.	13,147,255	(346,837)	1,237,038	(42,432)
Shenzhouxing Cargo Agency	12,276,437	(282,384)	8,937,113	(326,774)
Qingdao Port Group	11,226,392	(412,760)	88,602,405	(4,663,289)
Weifang Port	9,854,500	(415,077)	499,250	(17,819)
Ocean & Great Asia	8,154,716	(187,340)	11,500,193	(394,476)
Shangang International				
Trade	6,371,833	(148,153)	20,220,683	(693,603)
Shandong Harbor				
Construction Group	5,313,579	(122,113)	12,000,490	(411,637)
Penglai Port	4,678,260	(433,889)	12,340,000	(423,283)
Qingdao Port Engineering	4,163,916	(101,123)	—	—
Weihai Port	3,850,510	(157,282)	22,500	—
Qingdao Ocean Shipping				
Agency	3,722,984	(85,529)	1,774,062	(60,853)
Dongjiakou IMC Logistics	3,538,426	(2,655,637)	2,639,841	(361,415)
West United	3,115,864	(93,065)	46,954,543	(1,621,286)
Ganghai Logistics	3,082,372	(71,222)	624,026	(21,405)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(b) Accounts receivable (Continued)

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Evergreen Container	2,890,420	(66,402)	6,281,232	(215,457)
Ocean Bridge International	2,870,400	(65,942)	3,963	(136)
Lianhai Logistics	2,767,194	(63,571)	2,892,190	(99,207)
Orient Container	2,362,736	(54,280)	2,918,463	(100,108)
Lianrong Logistics	2,235,968	(52,006)	2,222,524	(76,236)
Luhai Heavy Industry	2,144,000	(90,306)	4,620,000	(158,474)
Haiwan Liquid Chemical	767,046	(25,037)	19,201,670	(7,885,437)
Qingdao Port Investment				
Real Estate	245,236	(5,964)	24,699,197	(5,347,333)
Huaneng Qingdao	152,048	(3,493)	4,282,825	(1,552,534)
QHVTC	74,855	(2,338)	5,170,700	(700,488)
Binzhou Port	—	—	30,254,225	(1,037,771)
Dongjiakou Railway	—	—	6,447,002	(883,892)
Other related parties	10,682,285	(261,712)	19,485,531	(1,492,257)
	<u>846,044,409</u>	<u>(90,754,988)</u>	<u>1,892,910,438</u>	<u>(135,115,224)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(c) Contract assets

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	116,022,721	(3,076,165)	12,347,806	(175,828)
QQCT	80,687,519	(2,139,306)	2,236,054	(31,841)
Rizhao Port	77,457,610	(2,053,670)	835,253	(11,894)
Shandong Harbor				
Construction Group	32,522,124	(862,274)	—	—
West United	17,262,675	(457,693)	—	—
QQCTU	9,646,081	(255,751)	1,082,040	(15,408)
Qingdao Port Engineering	8,002,255	(212,168)	—	—
Dongjiakou Railway	6,447,002	(170,932)	—	—
QQCTUA	6,315,133	(167,436)	—	—
Qingwei Container	6,034,800	(160,003)	—	—
Shandong CCCC Navigation	4,672,739	(123,891)	—	—
QDP Investment Group	4,123,184	(109,320)	3,406,446	(48,506)
Qingdao Shihua	4,122,839	(109,311)	4,273,276	(60,850)
QHVTC	—	—	1,105,806	(15,746)
Other related parties	5,010,074	(132,834)	2,380,999	(33,904)
	<u>378,326,756</u>	<u>(10,030,754)</u>	<u>27,667,680</u>	<u>(393,977)</u>

(d) Advances to suppliers

	31 December 2021	31 December 2020
Qingdao Port Engineering	72,498,304	—
West United	6,339,511	863,140
COSCO SHIPPING Lines Qingdao	2,521,176	2,657,911
Dongjiakou Railway	2,238,906	2,756,112
United Shipping Agency	2,050,150	23,010
Qingdao Ocean Shipping Agency	749,673	213,224
Rizhao Port	607,404	—
Technology Company	500,000	—
Yongli Insurance	—	978,196
Other related parties	838,087	727,654
	<u>88,343,211</u>	<u>8,219,247</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(e) Other receivables

Dividend receivable –

	31 December 2021	31 December 2020
Technology Company	6,328,168	—
Binzhou Port QDP International Terminal	—	7,689,395
	<u>6,328,168</u>	<u>7,689,395</u>

Ending balance of loans provided and interests –

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Shandong Port				
International Trade Group				
Qingdao Co., Ltd.	1,198,613,894	(32,316)	—	—
QDP Investment Group	329,407,137	(6,895)	901,136,170	(10,021,494)
Qingdao Port Engineering	322,130,906	(1,231,177)	—	—
Weihai Port Group	297,352,352	(4,864,454)	300,398,750	(3,340,720)
QDOT	200,252,083	(2,561,940)	148,612,686	(2,173,730)
Shandong Port Supply Chain	94,260,980	(2,537)	—	—
Weihai Port	67,981,952	(1,428)	—	—
Rizhao Bulk Commodity				
Supply Chain	51,051,899	(817)	15,019,938	(319,444)
Fuwai Hospital	50,070,023	(419,590)	35,060,917	(595,006)
West United	50,143,128	(1,763,174)	20,026,583	(425,925)
Shandong Board of Trade	10,011,764	(243,121)	—	—
	<u>2,671,276,118</u>	<u>(11,127,449)</u>	<u>1,420,255,044</u>	<u>(16,876,319)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(e) Other receivables (Continued)

Other –

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Port Engineering Shandong Harbor Construction Group	65,062,593	(3,309,089)	—	—
West United	14,532,446	—	—	—
QQCT	12,970,557	(552,003)	20,741,469	(1,015,191)
QDOT	11,078,330	(563,602)	1,110,071	(44,887)
Qingdao Ocean Shipping Agency	7,409,884	(376,602)	19,166,552	(1,266,604)
QQCTU	7,247,787	(291,847)	1,478,000	(7,498)
Qingdao Shihua	5,367,036	(272,776)	4,012,509	(214,402)
Ganghai Logistics	5,013,973	(258,237)	518,217	(6,414)
Qingdao Port Group	4,859,937	(426,764)	8,252,397	(459,725)
Evergreen Container	2,829,340	(224,762)	3,388,367	(297,163)
Luhai International Logistics	1,331,120	(21,110)	1,424,926	(12,315)
Orient Container	1,225,884	(62,305)	441,937	(24,619)
OOCL	737,370	(18,892)	2,143,332	(75,702)
COSCO SHIPPING Lines	722,709	(36,731)	450,000	(25,069)
Qingdao	706,100	(10,652)	520,000	(2,638)
Shenzhouxing Cargo Agency	632,224	(43,013)	489,199	(28,861)
Lianhai Logistics	592,458	(46,118)	186,535	(10,391)
Shangang International Trade	553,474	(28,130)	553,474	(30,833)
Technology Company	497,739	(27,070)	—	—
QDP Investment Group	439,111	(20,531)	4,543,968	(37,938)
Fuwai Hospital	234,973	(11,950)	357,847	(19,935)
Shandong Port Group	150,522	(7,650)	365,348	(20,353)
QQCTN	6,920	(448)	537,787	(29,959)
International Cruises	229	(20)	554,340	(30,881)
Other related parties	2,024,925	(120,308)	2,634,229	(143,000)
	146,227,641	(6,730,610)	73,870,504	(3,804,378)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(f) Long-term receivables

	31 December 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	1,034,506,251	(28,370,530)	831,226,654	(10,160,877)
QQCTN	934,755,449	(35,974,884)	943,331,234	(21,063,526)
QQCT	422,451,363	(9,146,040)	422,572,428	(10,382,681)
QQCTU	414,171,878	(8,670)	541,634,984	(15,236,999)
Weihai Port	394,571,847	(8,238,597)	397,576,201	(9,695,902)
Qingdao Port Engineering	99,852,538	(3,448,576)	—	—
Fuwai Hospital	70,098,032	(1,889)	75,094,459	(1,845,667)
PetroChina Storage	69,314,512	(2,444,388)	52,746,078	(1,293,689)
Qingwei Container	45,065,313	(1,235,881)	50,072,569	(957,012)
QQCTUA	—	—	128,085,633	(2,988,834)
	<u>3,484,787,183</u>	<u>(88,869,455)</u>	<u>3,442,340,240</u>	<u>(73,625,187)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(g) Accounts payable

	31 December 2021	31 December 2020
Qingdao Port Engineering	124,700,110	—
Qingdao Port Group	32,792,597	124,043
Shandong Harbor Construction Group	29,238,100	—
Qingdao Shihua	21,388,446	4,963,016
Rizhao Port Machinery Engineering	18,211,000	—
Luhai International Logistics	12,499,226	4,967,239
QDP Investment Group	10,819,376	9,106,378
Huaneng Qingdao	7,258,067	1,994,166
QDOT	6,455,215	744,810
Shandong Port Land and Sea Liaocheng	5,636,578	—
Land and Sea International Logistics Bohai Bay	4,494,998	—
West United	4,045,541	19,376,934
Technology Company	2,192,425	—
QQCT	1,991,671	1,320,509
Shandong Port Land and Sea (Xinjiang)	1,776,508	—
Sanlly Container	1,380,815	471,433
QQCTU	1,240,489	5,415,410
Fuwai Hospital	1,191,454	1,266,194
Dongjiakou Sinotrans Logistics	1,133,333	1,416,667
Qingdao Ocean Shipping Agency	545,043	533,309
Evergreen Container	378,463	1,732,204
Qingdao Port Investment Real Estate	325,850	396,261
Hongyu Hotel	142,819	271,218
Other related parties	2,780,652	1,551,035
	<u>292,618,776</u>	<u>55,650,826</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(h) Advances from customers

	31 December 2021	31 December 2020
Evergreen Container	5,969,770	6,352,235
QDP Pilot Station	<u>23,347</u>	<u>39,358</u>
	<u><u>5,993,117</u></u>	<u><u>6,391,593</u></u>

(i) Contract Liabilities

	31 December 2021	31 December 2020
Qingdao Port Group	2,376,579	2,103,167
Qingdao Ocean Shipping Agency	1,108,859	896,420
Weihai Port	509,600	—
China Shipping Agency	502,265	442,478
United Shipping Agency	500,000	442,478
Qingwei Container	455,182	15,743,119
COSCO Shipping Logistics	317,560	196,361
Shandong Port Sunshine Huicai	280,000	—
QDP Investment Group	279,803	—
QQCTN	258,020	—
QHVTC	230,089	5,595,047
Rizhao Ocean Shipping Agency	224,372	1
Harbor Logistics	135,446	255,673
Shandong Port Equipment Group	95,724	—
Weihai Dingxin Construction	86,522	—
Ocean & Great Asia	3,267	1,450,217
QQCT	80	4,864,636
Penglai Port	—	5,838,053
QQCTU	—	1,886,792
Other related parties	<u>220,471</u>	<u>282,189</u>
	<u><u>7,583,839</u></u>	<u><u>39,996,631</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(j) Other payables

Ending balance of the principle and interest of deposites –

	31 December 2021	31 December 2020
Qingdao Shihua	1,366,801,683	1,237,796,208
QQCT	1,196,567,005	333,668,773
Qingdao Port Group	877,672,596	1,098,912,812
Shandong Port International Trade Group Qingdao Co., Ltd.	572,339,493	—
QQCTN	483,511,399	60,501,230
Shandong Port Financial Holdings	395,866,507	1,512,086,512
QDP Investment Group	330,924,979	500,514,734
International Cruise Port Development & Construction	276,729,344	218,669,593
Qingdao Port Engineering	183,272,733	—
QQCTU	155,098,381	179,742,416
Technology Company	153,258,841	—
Dongjiakou IMC Logistics	145,230,488	144,654,297
Weihai Port Group	135,018,883	140,626,180
Shandong Port Commercial Factoring	122,556,225	3,522,862
Shandong Gainsense Futures	109,371,899	—
West United	92,372,065	76,528,944
QDOT	89,695,603	31,352,598
Weihai International Logistics Park	57,933,242	18,665,780
Weihai Port	50,767,192	54,007,123
Qingdao Port Travel Agency	47,791,397	22,061,317
Shandong Port Cloud Digital Technology	42,479,603	—
Fuwai Hospital	41,313,390	51,568,834
QDP CTC	40,530,239	—
Lianhai Logistics	25,059,660	25,237,034
Weihai Shichang Logistics	23,566,793	17,250,807
Qingdao Leasing	22,466,045	67,275,931
Haiwan Liquid Chemical	21,561,005	24,708,055
Qinggang Shihua	21,422,296	19,611,996
Yongli Insurance	18,153,537	19,796,151
Assets Management Company	16,681,713	15,142,524
Lianrong Logistics	16,504,562	13,430,208
Evergreen Container	16,281,338	16,657,602
Yantai Gangrong Commercial Factoring	16,048,177	—
Rizhao Port Financial Leasing	14,876,811	91,676,816
Fund Management	13,066,420	2,414,854

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(j) Other payables (Continued)

Ending balance of the principle and interest of deposits (Continued) –

	31 December 2021	31 December 2020
Rizhao Port Commercial Factoring	12,906,104	19,363,571
Qingwei Container	12,610,862	23,709,307
Weihai Gangfeng Shipping Agency	11,047,314	3,501,208
Weihai Yufeng Energy	10,901,818	45,437,635
International Cruises	10,302,739	22,145,871
Weihai Gangsheng Shipping	9,961,791	16
Rizhao Bulk Commodity Supply Chain	9,357,400	14,961
North Oil & Gas	8,988,413	—
China Ocean Shipping Tally Weihai	8,486,047	6,004,106
Shandong Port Ship Service	8,070,825	—
Weihai Port International Logistics	7,726,366	3,268,074
Insurance Brokerage	7,500,199	5,539,269
Weihai Port International Passenger Transportation	6,872,625	—
Zhonggang Jinyuan	860,159	20,935,391
Qinggang Commercial Factoring	128,971	10,927,402
QQCTUA	—	127,633,279
Other related parties	51,883,561	82,076,049
	<u>7,370,396,738</u>	<u>6,368,638,330</u>

Factoring loan -

	31 December 2021	31 December 2020
Shandong Port Commercial Factoring	<u>50,009,722</u>	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(j) Other payables (Continued)

Other –

	31 December 2021	31 December 2020
Qingdao Port Engineering	735,801,234	—
QDP Investment Group	44,694,011	27,707,301
Shandong Harbor Construction Group	21,501,283	2,011,073
QQCT	12,381,925	14,689,304
Qingdao Port Group	10,286,230	12,328,358
QQCTN	4,152,897	2,455,125
QQCTU	3,409,718	2,617,290
Technology Company	3,219,141	—
Evergreen Container	2,863,694	616,555
QQCTUA	2,059,446	1,139,779
Ocean & Great Asia	1,750,088	558,643
Fuwai Hospital	1,569,680	443,483
Shandong Port Shipping Group	1,507,562	—
Lianyungang Ocean Fluid	958,300	2,300,885
COSCO Shipping Logistics	328,000	27,918
Qingdao Shihua	22,550	27,956,828
Ganghai Logistics	—	3,474,944
Other	3,611,601	2,086,082
	<u>850,117,360</u>	<u>100,413,568</u>
	<u>8,270,523,820</u>	<u>6,469,051,898</u>

(k) Other non-current liabilities

	31 December 2021	31 December 2020
QQCT	2,420,929,434	2,618,350,809
QQCTN	45,340,920	47,859,860
QQCTU	12,507,053	13,717,414
	<u>2,478,777,407</u>	<u>2,679,928,083</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balance (Continued)

(l) Lease liabilities

	31 December 2021	31 December 2020
Qingdao Port Group	138,149,368	—
Qingdao Leasing	92,451,789	137,886,473
	<u>230,601,157</u>	<u>137,886,473</u>

(m) Long-term payables

	31 December 2021	31 December 2020
Qingdao Leasing	<u>120,870,833</u>	—

(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 (36), the Group's future collection of related party rents is summarized as follows:

	31 December 2021	31 December 2020
QQCT	274,500,000	302,058,000
Evergreen Container	104,426,895	107,987,996
QQCTU	92,200,000	101,420,000
QQCTN	31,272,728	34,931,828
QQCTUA	18,300,000	20,130,000
Shenzhouxing Cargo Agency	4,267,104	—
Lianhai Logistics	2,198,138	3,511,358
Linyi Express	1,731,000	—
Ganghai Logistics	386,460	—
Fuwai Hospital	12,501	62,500
Micro Lending Company	—	101,250
QDP Pilot Station	—	42,858
West United	—	52,500
	<u>529,294,826</u>	<u>570,298,290</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(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 2021, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB3,492,000,000 (For the year ended 31 December 2020: RMB5,681,000,000). As at 31 December 2021, entrusted loans amounted to RMB6,193,000,000 (31 December 2020: RMB5,926,000,000). 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 9(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 2021 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	Endowment insurance	Other social pension	Bonus		
Executive directors:								
Su Jianguang(i)	—	—	—	—	—	—	—	—
Jia Funing(ii)	—	—	—	—	—	—	—	—
Wang Xinze	—	489,933	52,320	35,954	22,052	678,275	—	1,278,534
Non-executive Directors:								
Su Jianguang (i)	—	—	—	—	—	—	—	—
Li Wucheng (iii)	—	—	—	—	—	—	—	—
Wang Fuling	—	434,086	50,208	35,954	22,052	564,122	—	1,106,422
Wang Jun	—	—	—	—	—	—	—	—
Feng Xiaobo	—	—	—	—	—	—	—	—
Independent								
Non-executive Directors:								
Li Yan	200,057	—	—	—	—	—	—	200,057
Jiang Min	200,057	—	—	—	—	—	—	200,057
Li Guohao	244,187	—	—	—	—	—	—	244,187

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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	Endowment insurance	Other social pension	Bonus		
Supervisors:								
Zhang Qingcai	—	—	—	—	—	—	—	—
Xia Xiliang	—	309,923	18,524	35,954	22,052	511,015	—	897,468
Liu Shuiguo	—	316,379	19,860	35,954	22,052	526,258	—	920,503
Wang Xiaoyan	—	286,221	17,585	35,954	22,052	288,098	—	649,910
Yang Qiulin	100,011	—	—	—	—	—	—	100,011
Wang Yaping	100,011	—	—	—	—	—	—	100,011
	<u>844,323</u>	<u>1,836,542</u>	<u>158,497</u>	<u>179,770</u>	<u>110,260</u>	<u>2,567,768</u>	—	<u>5,697,160</u>

- (i) Resigned from Vice Chairman of the Board of Directors and Non-executive Director on 21 July 2021. Served as Chairman of the Board of Directors and Executive Director on 21 July 2021.
- (ii) Resigned from Chairman of the Board of Directors and Executive Director on 21 July 2021.
- (iii) Served as Vice Chairman of the Board of Directors and Non-executive Director on 18 August 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 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	Endowment insurance	Other 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	26,272	17,640	633,728	—	1,118,906
Non-executive Directors:								
Jiao Guangjun (v)	—	—	—	—	—	—	—	—
Zhang Wei (vi)	—	—	—	—	—	—	—	—
Zhang Jiangnan(i)	—	33,765	3,872	2,765	1,812	52,293	—	94,507
Chu Xiaozong (vi)	—	115,828	14,088	6,914	5,479	188,372	—	330,681
Wang Fuling(vii)	—	247,553	16,296	17,975	10,996	356,253	—	649,073
Su Jianguang(viii)	—	—	—	—	—	—	—	—
Jiang Chunfeng(i)	—	27,557	3,408	2,765	1,812	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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	Endowment insurance	Other social pension	Bonus		
Supervisors:								
Zhang Qingcai	—	—	—	—	—	—	—	—
Li Wucheng(ix)	—	57,114	7,112	4,148	3,149	46,436	—	117,959
Xia Xiliang(x)	—	163,163	9,442	17,975	10,996	289,050	—	490,626
Liu Shuiguo	—	286,479	19,425	26,272	17,640	505,359	—	855,175
Wang Xiaoyan	—	251,841	15,567	2,765	16,201	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>107,851</u>	<u>85,725</u>	<u>2,389,177</u>	—	<u>5,251,438</u>

- (i) Resigned from Executive Director on 10 January 2020, and transferred to the position of Non-executive Director, and retired from the position of director on 26 March 2020.
- (ii) Resigned from Chairman of the Board of Directors on 10 June 2020.
- (iii) Appointed as Chairman of the Board of Directors on 10 June 2020.
- (iv) Appointed as Chief Executive Officer on 10 January 2020, and appointed as Executive Director on 10 June 2020.
- (v) Resigned from director on 10 January 2020.
- (vi) Resigned from director on 20 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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)

(vii) Appointed as director on 10 June 2020.

(viii) Appointed as director on 20 May 2020.

(ix) Resigned from supervisor on 26 March 2020.

(x) Appointed as supervisor on 10 June 2020.

	Providing director services to the Company or its subsidiaries		Providing director services to the Company or its subsidiaries		Total	
	2021	2020	2021	2020	2021	2020
Directors' emoluments (Executive and non-executive directors)	<u>2,384,956</u>	<u>2,277,210</u>	<u>—</u>	<u>—</u>	<u>2,384,956</u>	<u>2,277,210</u>

In 2021, non-executive director Wang Jun and supervisor Liu Shuiguo, Xia Xiliang 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 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 2021, directors Su Jianguang, Wang Jun, and supervisor Zhang Qingcai were employed and paid by QDP Group. Director Jia Funing was employed and paid by Shandong Port Qingdao Port Group Co., Ltd. from January 2021 to July 2021. Director Li Wucheng was employed and paid by Shandong Port Qingdao Port Group Co., Ltd. from August 2021 to December 2021. Non-executive director Feng Boming was employed and paid by COSCO SHIPPING Ports Limited Co., Ltd. (“COSCO SHIPPING Ports”).

In 2020, directors Li Fengli, Jia Funing, and supervisor Zhang Qingcai were employed and paid by QDP Group. Director Jia Funing, Su Jianguang and Wang Jun were employed and paid by Shandong Port Qingdao Port Group Co., Ltd. Director Zhang Wei was employed and paid by China Ocean Shipping Group Co., Ltd. from January to May in 2020. 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.

In 2021 and 2020, the Group had no directors waiving their remunerations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Benefits and interests of directors (Continued)

- (b) In 2021 and 2020, the Group had no retirement benefits for directors because of providing director services.
- (c) In 2021 and 2020, the Group did not pay termination benefits for directors.
- (d) In 2021 and 2020, the Group did not pay consideration to third parties in return for director services.
- (e) In 2021 and 2020, 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 2021 and 2020, 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 2021 include 2 directors (2020: 1 director and 1 supervisor), whose remuneration has been reflected in Note 8 (9); the other 3(2020: 3) total amount of compensation is listed below:

	Year ended 31 December 2021	Year ended 31 December 2020
Salary and allowance	1,400,556	1,054,695
Annuity plan	130,656	70,983
Social security contributions	174,018	115,457
Bonus	1,564,088	1,496,333
	<u>3,269,318</u>	<u>2,737,468</u>
	Number of individuals	
	Year ended 31 December 2021	202Year ended 31 December 2020
Emolument bands:		
HKD0 – 1,000,000	—	2
HKD1,000,000 – 1,500,000	3	1
HKD1,500,000 – 2,000,000	—	—
	<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

9 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 2021	31 December 2020
Port facilities and others	<u>656,475,808</u>	<u>1,033,350,098</u>

(2) Other commitments

As at 31 December 2021, 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 RMB49,677,862 in total (31 December 2020: RMB79,691,061). 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 2021, Qingdao Finance issued letter of guarantee with the amount of approximately RMB2,500,000 (31 December 2020: RMB9,103,250) 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. On 21 June 2021, Shanghai International Energy Exchange ("INE") issued an announcement, which approved the application that Qingdao Port Logistics waived its business qualification for domestic natural rubber, pulp and No. 20 standard rubber futures designated delivery warehouse. Qingdao Port Logistics has no longer carried out relevant business since then, and the Group's guarantee for the above-mentioned items was terminated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

10 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution of the Board of Directors on 30 March 2022, the Board of Directors proposed that the Company pay a cash dividend of 2021 to all shareholders at RMB2.564 (including tax) per ten shares. Based on the 6,491,100,000 shares issued, the proposed cash dividends are RMB1,664,318,040. The above proposal is pending approval by the shareholders meeting and has not been recognized as a liability in these financial statements(Note4(42)).

As the ultimate parent company of the Group was changed from Qingdao Port Group to Shandong Port Group in January 2022, after the equity change was completed, Shandong Port Group held two finance companies, Qingdao Finance and Rizhao Port Group Finance Co., Ltd. ("Rizhao Finance"). According to the policy of China Banking and Insurance Regulatory Commission (the "CBIRC"), an enterprise group can only establish one finance company. Shandong Port Group plans to increase the capital and shares of Qingdao Finance with the assets and liabilities of Rizhao Finance as the consideration in 2022. After the increase in capital and shares, the Group will lose control over Qingdao Finance which will become its associate. The matter was approved by the Board of Directors of the Company on 25 January 2022 and approved by the Company's shareholders' general meeting on 25 February 2022. The above transfer is subject to approval of the CBIRC. As at the reporting date of the Group, the CBIRC has not yet completed the approval of the matter.

11 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 2021	31 December 2020
Within a year	57,264,912	57,342,171
One to two years	53,650,426	54,795,066
Two to three years	49,663,334	52,259,222
Three to four years	46,467,219	47,195,559
Four to five years	46,467,219	46,778,559
More than five years	281,536,300	327,919,021
	<u>535,049,410</u>	<u>586,289,598</u>

12 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 2021, the Group did not sign forward foreign exchange contracts or currency swap contracts.

As at 31 December 2021 and 31 December 2020, the carrying amounts in RMB equivalent of the Group's financial assets, financial liabilities and lease liabilities denominated in foreign currencies are summarized below:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2021			
	USD	EUR	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	1,082,286,092	1,597,582	41,527	1,083,925,201
Receivables	359,835,708	433,182	87,678	360,356,568
Other receivables	409,636,704	—	—	409,636,704
	<u>1,851,758,504</u>	<u>2,030,764</u>	<u>129,205</u>	<u>1,853,918,473</u>
Financial liabilities denominated in foreign currency –				
Notes payable	(2,172,276)	—	—	(2,172,276)
Payables	(555,608,832)	—	(15,876)	(555,624,708)
Other payables	(254,016,941)	—	—	(254,016,941)
Short-term borrowings	(1,428,315,717)	—	—	(1,428,315,717)
Current portion of non-current liabilities	—	(74,667,300)	—	(74,667,300)
	<u>(2,240,113,766)</u>	<u>(74,667,300)</u>	<u>(15,876)</u>	<u>(2,314,796,942)</u>
	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>

12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2021, 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 RMB11,651,000 (31 December 2020: approximately RMB24,350,000) 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 2021, 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 RMB2,179,000 (31 December 2020: RMB2,446,000) 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 2021, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB7,342,617,187 (Note 4(29)), among which RMB7,238,899,258 was subject to floating interest rate and the remaining was subject to fixed interest rate; and bank borrowings of RMB1,493,927,257 (Note 4(23), (31)) and factoring borrowings of RMB50,000,000 (Note 4(29)) were all subject to fixed interest rate.

As at 31 December 2021, the Group's interest bearing assets included cash at bank and on hand of RMB9,115,297,206 (Note 4(1)), among which RMB9,109,367,805 was subject to floating interest rate and the remaining was subject to fixed interest rate; and loans provided to related parties and third parties of RMB6,185,925,705 (Note 4(7), (11)), among which RMB2,607,261,232 was subject to floating rates and the remaining was 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 2021 and 31 December 2020, the Group did not enter into any interest rate swap agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2021, the Group had no bank borrowings at floating interest rate (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 or increased by approximately RMB215,000).

As at 31 December 2021, 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 2021 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB5,246,200 (31 December 2020: approximately RMB2,619,000).

(c) Other price risk

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 2021, 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 RMB21,926,000. (31 December 2020: approximately RMB5,416,000).

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivables, accounts receivables, contract assets, receivables financing, other receivables, debt investments, other debt investments, financial guarantee contracts, loan commitments, etc., and investments in debt instrument at fair value through profit or loss that are not included in the impairment assessment scope. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group; the maximum credit risk exposures off the balance sheet were the maximum amounts of RMB52,177,862 to be paid for fulfilment of financial guarantee obligations for issuing acceptance notes and letters of guarantee (The maximum credit risk exposure outside the balance sheet for Qingdao Port Group and its subsidiaries is the maximum amount of RMB32,092,319 required to perform financial guarantee of issuing acceptance bills).

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 2021 and 31 December 2020, 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 2021
(All amounts in RMB Yuan unless otherwise stated)

12 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 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	1,435,790,545	—	—	—	1,435,790,545
Notes payable	1,218,023,563	—	—	—	1,218,023,563
Accounts payable	1,454,934,151	—	—	—	1,454,934,151
Other payables	10,954,261,908	—	—	—	10,954,261,908
Lease liabilities	—	72,164,673	117,896,554	—	190,061,227
Current portion of non-current liabilities	208,006,453	—	—	—	208,006,453
Long-term payables	—	7,661,828	127,310,484	28,739,416	163,711,728
	<u>15,271,016,620</u>	<u>79,826,501</u>	<u>245,207,038</u>	<u>28,739,416</u>	<u>15,624,789,575</u>
	31 December 2020				Total
	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>

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 2021
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk (Continued)

Bank borrowings, factoring borrowings and bonds payable are analyzed by repayment terms as follows:

	31 December 2021		31 December 2020	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	1,552,992,739	—	165,649,023	2,174,322,091
1 to 2 years	—	—	99,708,639	—
2 to 5 years	—	—	10,000,000	—
	<u>1,552,992,739</u>	<u>—</u>	<u>275,357,662</u>	<u>2,174,322,091</u>

13 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 2021, 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	—	289,817,600	545,938,786	835,756,386
Financing receivables –				
Notes receivable	—	—	376,792,050	376,792,050
Other current assets –				
Interbank deposit certificate	929,212,100	—	—	929,212,100
Other non-current financial assets –				
Financial bond	604,816,660	—	—	604,816,660
Equity investment	—	—	292,351,677	292,351,677
Total	<u>1,534,028,760</u>	<u>289,817,600</u>	<u>1,215,082,513</u>	<u>3,038,928,873</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATES (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

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 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
	<u>3,182,868,059</u>	<u>1,278,413,455</u>	<u>4,461,281,514</u>
Total			

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

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

13 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 2020	purchase	sale	settle	31 December 2021	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	677,472,778	3,289,471,986	(3,420,383,200)	(622,778)	545,938,786	43,590,430
Financing receivables –						
Bank acceptance notes receivable	528,732,800	1,914,318,164	(1,198,807,492)	(867,451,422)	376,792,050	(1,254,946)
Other non-current financial assets –						
Equity investment	72,207,877	220,143,800	—	—	292,351,677	3,722,100
Total	1,278,413,455	5,423,933,950	(4,619,190,692)	(868,074,200)	1,215,082,513	46,057,584
	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	1,477,357,331	9,810,463,336	(9,068,602,105)	(940,805,107)	1,278,413,455	141,567,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

13 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 2021	Valuation techniques	Parameter	Inputs		
				Range/ Weighted average	The relationship of fair value	Observable/ Unobservable
Financial assets held for trading - Wealth management products	545,938,786	Discounted cash flow	Expected yield	3.00%-3.85%	Positive correlation	Unobservable
Receivables financing - Bank acceptance notes receivable	376,792,050	Discounted cash flow	Expected discount rate	3.85%-4.35%	Negative correlation	Unobservable
Other non-current financial assets - Equity investment	292,351,677	Marketing method	Comparable listed company PE multiplier, etc.	PE multiplier: 1.9-20.8 Lack of liquidity discount: 20%-30%	Positive correlation	Unobservable
	<u>1,215,082,513</u>					
	Fair value on 31 December 2020	Valuation techniques	Parameter	Inputs		
				Range/ Weighted average	The relationship of fair value	Observable/ Unobservable
Financial assets held for trading- Wealth management products	677,472,778	Discounted cash flow	Expected yield	3.40%-4.10%	Positive correlation	Unobservable
Receivables financing- Bank acceptance notes receivable	528,732,800	Discounted cash flow	Expected discount rate	3.20%-4.50%	Negative correlation	Unobservable
Other non-current financial assets- Equity investment	72,207,877	Marketing method	Comparable listed company PE multiplier, etc.	PE multiplier: 2.1-22.7 Lack of liquidity discount: 20%-30%	Positive correlation	Unobservable
	<u>1,278,413,455</u>					

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

13 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 2021	Valuation techniques	Observable input value	
			Parameter	Range/ Weighted average
Financial assets held for trading – Wealth management product type 1	102,190,000	Discounted cash flow	Observable Net Value	1.0482
Wealth management product type 2	<u>187,627,600</u>	Discounted cash flow	Observable Value	103.0280
	<u>289,817,600</u>			

(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.

14 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

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

14 CAPITAL MANAGEMENT (Continued)

As at 31 December 2021 and 31 December 2020, the Group's gearing ratio is as follows:

	31 December 2021	31 December 2020
Principal on bank borrowings (Note 4(23), (31))	1,493,927,257	274,926,140
Shandong Port Commercial Factoring factoring borrowings (Note 4(29))	50,000,000	—
Customer deposits at Qingdao Finance (Note 4(29))	7,342,617,187	6,357,314,626
Principal on bonds payable	—	2,116,900,000
Less: Cash (Note 4(54)(a))	(8,236,702,588)	(6,076,037,331)
Net debt	649,841,856	2,673,103,435
Shareholders' equity	38,784,626,352	36,740,732,133
Total capital	39,434,468,208	39,413,835,568
Gearing ratio	2%	7%

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash at bank	821,651,426	1,629,387,360
Deposits of Qingdao Finance	5,226,286,684	6,682,759,560
Other cash balances	583,998	15,481,350
Interest receivable	1,141,787	6,367,981
	6,049,663,895	8,333,996,251
Including: amounts deposited abroad	36,315	38,033

As at 31 December 2021, other monetary funds included the deposit of RMB210,198 deposited by the Company to the bank for the issuance of acceptance bills, and a deposit of RMB373,800 to the bank for the issuance of letters of guarantee (31 December 2020: the total amount of deposit for the issuance of acceptance bills and the issuance of letters of guarantee is RMB15,481,350).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	482,632,943	1,294,613,906
Less: Provision for bad debts	<u>(52,231,277)</u>	<u>(74,637,618)</u>
	<u>430,401,666</u>	<u>1,219,976,288</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 of 30-90 days.

(a) The age of receivables and provision for bad debts are as follows:

	31 December 2021	31 December 2020
Within 1 year	301,345,701	1,007,998,476
1 to 2 years	69,639,250	269,348,043
2 to 3 years	111,647,992	15,882,904
Over 3 years	<u>-</u>	<u>1,384,483</u>
	<u>482,632,943</u>	<u>1,294,613,906</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 2021, 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>269,326,912</u>	<u>(45,085,130)</u>	<u>55.80%</u>

(c) As at 31 December 2021, the Group had no accounts receivable derecognized due to factoring without recourse (As at 31 December 2020: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 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 2021			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Lifetime ECL rate
Bad debt provision on the grouping basis(ii)				
Group A	23,825,157	4.94%	—	—
Group B	179,774,508	37.25%	(42,091,991)	23.41%
Group C	279,033,278	57.81%	(10,139,286)	3.63%
	<u>482,632,943</u>	<u>100.00%</u>	<u>(52,231,277)</u>	
	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)	7.83%
Group C	449,892,903	34.75%	(18,299,986)	4.07%
	<u>1,294,613,906</u>	<u>100.00%</u>	<u>(74,637,618)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

- (i) As at 31 December 2021, the Company had no accounts receivable of which the provision for bad debts is made on the individual basis (As at 31 December 2020: nil).
- (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 2021		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	—	—	—
1 to 2 years	68,960,060	12.99%	(8,961,004)
2 to 3 years	110,814,448	29.90%	(33,130,987)
Over 3 years	—	—	—
	<u>179,774,508</u>		<u>(42,091,991)</u>
	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)
2 to 3 years	12,543,502	35.13%	(4,406,134)
Over 3 years	1,384,483	100.00%	(1,384,483)
	<u>719,188,437</u>		<u>(56,337,632)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(d) Bad debt provision (Continued)

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analyzed as follows (Continued):

Accounts Receivable Group C-Accounts receivable of companies outside the scope of consolidation, excluding engineering and construction businesses:

	31 December 2021		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	278,172,654	3.34%	(9,297,456)
1 to 2 years	27,080	30.60%	(8,286)
Over 2 years	833,544	100.00%	(833,544)
	<u>279,033,278</u>		<u>(10,139,286)</u>
	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>

- (iii) The amount of provision for bad debts reversed in 2021 was RMB22,406,341, which was provided on the grouping basis. There was no provision for bad debts of significant accounts receivables that was written off.

- (e) As at 31 December 2021, the Company has no pledge of accounts receivable (31 December 2020:nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Financing receivables

	31 December 2021	31 December 2020
Bank acceptance notes	<u>143,359,008</u>	<u>286,445,752</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 2021, 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 2021 and 31 December 2020, the Company had no pledged acceptance notes.
- (c) As at 31 December 2021, the bank acceptance notes that the Company has endorsed but have not yet expired amounted to RMB28,583,441 and has derecognized(31 December 2020: RMB376,019,445).

(4) Other receivables

	31 December 2021	31 December 2020
Equity transfer payment (Note 4(7))	261,903,564	—
Provide entrusted loans to subsidiaries	170,194,311	340,354,337
Receivables from Red Star Logistics	137,192,700	137,192,700
Construction expenditures paid on behalf of subsidiaries	29,999,957	29,999,957
Supplementary medical welfare pooling funds	22,147,098	—
Dividends receivable	15,252,568	130,638,717
Deposits and guarantees	644,700	10,849,395
Collection and payment of railway freight	—	38,522,191
Others	<u>25,509,245</u>	<u>16,864,298</u>
	662,844,143	704,421,595
Less: Provision for bad debts	<u>(5,353,628)</u>	<u>(3,526,614)</u>
	<u>657,490,515</u>	<u>700,894,981</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(a) The age of other receivables is as follows:

	31 December 2021	31 December 2020
Within 1 year	628,704,840	671,460,767
1 to 2 years	4,134,846	2,173,644
2 to 3 years	4,500	29,999,957
Over 3 years	29,999,957	787,227
	<u>662,844,143</u>	<u>704,421,595</u>

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

	Stage 1				
	ECL over the next 12 months (Group)		ECL over the next 12 months (Single)		Total
	Amount	Provision for bad debts	Amount	Provision for bad debts	Provision for bad debts
31 December 2020	704,421,595	(3,526,614)	—	—	(3,526,614)
Reverse/increase in the current year	(303,481,016)	(1,827,014)	261,903,564	—	(1,827,014)
31 December 2021	<u>400,940,579</u>	<u>(5,353,628)</u>	<u>261,903,564</u>	<u>—</u>	<u>(5,353,628)</u>

As at 31 December 2021 and 31 December 2020, the Group did not have any other receivables in the second and third stage. The other receivables in the first stage are as follows:

- (i) As at 31 December 2021, the analysis of other receivables for the bad debt provision on the individual basis is as follows:

	Ending balance	ECL ratio within 12 months or for the lifetime	Provision for bad debts	Reason
Receivable Equity transfer payment	<u>261,903,564</u>	<u>—</u>	<u>—</u>	((Note 4(7)(b)),

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

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

(ii) As at 31 December 2021, other receivables for which the related provision for bad debts is provided on the grouping basis are all in the first stage, the analysis is as follows:

	31 December 2021			31 December 2020		
	Amount	Provision for bad debts		Amount	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Internal company combinations	349,967,815	—	—	628,036,963	—	—
Agency business and receivables combinations	—	—	—	38,522,191	(2,145,998)	5.57%
Deposit combinations	644,700	(25,566)	3.97%	10,849,395	(147,252)	1.36%
Dividend receivable combinations	15,252,568	—	—	15,591,695	—	—
Other combinations	35,075,496	(5,328,062)	15.19%	11,421,351	(1,233,364)	10.80%
	<u>400,940,579</u>	<u>(5,353,628)</u>		<u>704,421,595</u>	<u>(3,526,614)</u>	

(c) For the year ended 31 December 2021, the amount of bad debt provision during the year was RMB1,827,014, which was reversed for the amount of bad debt provision made on the grouping basis. For the year ended 31 December 2021, the Company has no other receivables actually written off.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(d) As at 31 December 2021, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Haiye Petroleum	Equity transfer payment	209,522,851	Within 1 year	31.61%	—
Mercuria Logistics	Entrusted loans, interest receivables and construction expenditures paid on behalf of others	200,194,268	Within 3 years	30.20%	—
Red Star Logistics	Receivables from Red Star Logistics	137,192,700	1 to 2 years	20.70%	—
Yiruiyuan Trading Co., Ltd.	Equity transfer payment	52,380,713	Within 1 year	7.90%	—
Shandong Branch of Ping An Endowment Insurance Co., Ltd.	Supplementary Medical benefit Fund	22,147,098	Within 1 year	3.34%	—
		<u>621,437,630</u>		<u>93.75%</u>	<u>—</u>

(e) As at 31 December 2021 and 31 December 2020, the Company did not have government grants recognized in accordance with the amount receivable.

(f) As at 31 December 2021 and 31 December 2020, other receivables were not pledged by the Company.

(5) Long-term receivables

	31 December 2021	31 December 2020
Loans provided to subsidiaries	2,381,214,786	2,536,352,280
Less: Overdue within one year	<u>(33,214,786)</u>	<u>(433,352,280)</u>
	2,348,000,000	2,103,000,000
Provision for loan impairment	—	—
	<u>2,348,000,000</u>	<u>2,103,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 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 2020	2,536,352,280	—
Reverse in the current year	(155,137,494)	—
31 December 2021	<u>2,381,214,786</u>	<u>—</u>

As at 31 December 2021 and 2020, the company did not have the long-term receivables for the bad debt provision on the individual basis, and the long-term receivables for the bad debt provision on the grouping basis are all in the first stage. The analysis is as follows:

	31 December 2021			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Internal company combinations	<u>2,381,214,786</u>	—	—	<u>2,536,352,280</u>	—	—

(6) Long-term equity investments

	31 December 2021	31 December 2020
Subsidiaries (a)	6,729,187,792	5,232,333,590
Joint ventures (b)	9,756,336,537	9,827,750,536
Associates (c)	<u>333,799,028</u>	<u>114,974,004</u>
	<u>16,819,323,357</u>	<u>15,175,058,130</u>

As at 31 December 2021 and 31 December 2020, the Company's management believed that there was no indication that long-term equity investments might be impaired, therefore no provision for impairment was made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2020	Movements in the current year		31 December 2021	Profit declared in the current year
		Increase in investment	Decrease in investment		
Yongli Insurance	—	—	—	—	4,857,522
QDP Logistics	257,374,925	—	—	257,374,925	426,177,458
GLS Shipping	23,580,830	—	—	23,580,830	—
Ocean Shipping Repair	3,666,959	—	—	3,666,959	56,247
Qingdao Port Engineering	114,455,552	—	(114,455,552)	—	20,000,000
Ocean Shipping Tally	389,296,880	—	—	389,296,880	98,354,478
Gangjia Logistics	7,299,874	—	—	7,299,874	3,060,000
Port Service	7,952,229	17,000,000	—	24,952,229	15,876,339
QMT	179,109,502	1,104,984,754	—	1,284,094,256	—
Qingdao Finance	700,000,000	—	—	700,000,000	593,661,495
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	8,000,000	—	—	8,000,000	5,629,873
Culture Media	3,000,000	—	—	3,000,000	84,416
International Development	460,574,092	—	—	460,574,092	—
Tongbao Shipping	20,000,000	—	(20,000,000)	—	—
DMT	480,000,000	400,000,000	—	880,000,000	—
Lianhua Pipeline	441,660,000	—	—	441,660,000	275,198,396
Technology Company	20,000,000	—	(20,000,000)	—	7,093,182
Svitzer Towage	115,500,000	—	—	115,500,000	7,254,841
Tongze Trading	10,000,000	—	—	10,000,000	10,959,092
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	1,775,323
Qingdong pipe	255,000,000	—	—	255,000,000	—
Tongda Oil & Gas	65,950,000	25,000,000	—	90,950,000	—
Tongan Environmental Protection	2,000,000	—	(2,000,000)	—	1,955,287
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	7,789,107
Red Star Logistics	179,531,785	—	—	179,531,785	—
Equipment Manufacturing Construction Management Centre	—	53,265,000	—	53,265,000	—
Emergency Rescue	—	10,000,000	—	10,000,000	—
AVIC Property	—	40,000,000	—	40,000,000	—
	—	3,060,000	—	3,060,000	—
	<u>5,232,333,590</u>	<u>1,653,309,754</u>	<u>(156,455,552)</u>	<u>6,729,187,792</u>	<u>1,479,783,056</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(b) Joint ventures

	31 December 2020	Increase in investment	Movements in the current year				Unrealized profits and losses	31 December 2021
			Share of net profit/(loss) under equity method	Cash dividends/ profit declared	Other equity changes			
QQCT	5,653,813,156	—	827,108,529	(471,131,207)	(5,021,692)	11,630,944	6,016,399,730	
Qingdao Shihua	1,923,954,687	—	356,893,705	(765,432,381)	—	200,472	1,515,616,483	
West United	525,517,254	—	(192,372)	(5,100,000)	—	(94,494)	520,130,388	
Qingwei Container	182,970,669	—	13,534,646	—	—	3,176,341	199,681,656	
Evergreen Container	68,071,282	—	18,768,278	(17,331,992)	5,235	—	69,512,803	
Orient Container	51,740,610	—	5,342,297	(5,657,884)	—	—	51,425,023	
Haiwan Liquid Chemical	155,799,401	—	1,152,800	—	—	—	156,952,201	
Ganghai Logistics	64,310,879	—	161,366	—	—	—	64,472,245	
Shenzhouxing Cargo Agency	43,104,752	—	11,673,175	(17,330,539)	—	—	37,447,388	
China Shipping Agency	12,539,964	—	125,903	—	—	—	12,665,867	
United Shipping Agency	56,400,821	—	2,110,793	(1,860,513)	—	—	56,651,101	
Huaneng Qingdao	116,977,222	—	4,327,074	—	—	—	121,304,296	
Dongjiakou IMC Logistics	67,874,927	—	(21,231)	—	—	—	67,853,696	
QDOT	699,311,584	—	(33,237,839)	—	—	810,593	666,884,338	
Dongjiakou Sinotrans Logistics	51,914,944	—	(279,474)	—	—	—	51,635,470	
Binzhou Port QDP International Terminal	6,790,024	(8,633,973)	1,843,949	—	—	—	—	
PetroChina Storage	146,658,360	—	1,045,492	—	—	—	147,703,852	
	<u>9,827,750,536</u>	<u>(8,633,973)</u>	<u>1,210,357,091</u>	<u>(1,283,844,516)</u>	<u>(5,016,457)</u>	<u>15,723,856</u>	<u>9,756,336,537</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(c) Associates

	31 December 2020	Movements for the current year			31 December 2021
		Reduce investment	Share of net profit/(loss) under equity method	Cash dividends/ Profit declared	
Qingyin Financial Leasing Overseas Development	114,484,004	—	12,958,078	—	127,442,082
Qingdao Port Engineering Technology Company	490,000	4,410,000	24,793	—	4,924,793
GSBN	—	141,553,284	12,582,426	—	154,135,710
	—	40,806,043	—	—	40,806,043
	—	6,490,400	—	—	6,490,400
	<u>114,974,004</u>	<u>193,259,727</u>	<u>25,565,297</u>	<u>—</u>	<u>333,799,028</u>

As stated in Note 2(2), 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.

(7) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2020	267,633,057	1,422,259,931	1,689,892,988
Transfer to intangible assets	—	(6,219,202)	(6,219,202)
31 December 2021	<u>267,633,057</u>	<u>1,416,040,729</u>	<u>1,683,673,786</u>
Accumulated depreciation			
31 December 2020	(73,516,863)	(239,456,987)	(312,973,850)
Increase in the current year	(10,624,023)	(34,142,669)	(44,766,692)
Transfer to intangible assets	—	537,867	537,867
31 December 2021	<u>(84,140,886)</u>	<u>(273,061,789)</u>	<u>(357,202,675)</u>
Net book value			
31 December 2021	<u>183,492,171</u>	<u>1,142,978,940</u>	<u>1,326,471,111</u>
31 December 2020	<u>194,116,194</u>	<u>1,182,802,944</u>	<u>1,376,919,138</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(7) Investment properties (Continued)

	Buildings	Land use rights	Total
Cost			
31 December 2019	270,937,410	1,491,363,206	1,762,300,616
Transfer to intangible assets	—	(69,103,275)	(69,103,275)
Transfer to fixed assets	(3,304,353)	—	(3,304,353)
	<u>270,937,410</u>	<u>1,491,363,206</u>	<u>1,762,300,616</u>
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
	<u>(63,822,835)</u>	<u>(209,384,212)</u>	<u>(273,207,047)</u>
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>

As at 31 December 2021 and 31 December 2020, 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.

As at 31 December 2021 and as at 31 December 2020, no investment properties are without certificates

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 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 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
Increase in the current year										
Purchase in the current year	866,972	—	—	28,880,171	18,855,734	—	2,085,729	30,001,437	1,619,886	82,309,929
Transfers from construction in progress	46,842,153	241,083,113	1,049,033,334	65,481,567	12,559,833	—	—	4,502,975	—	1,419,502,975
Transfer from right-of-use assets	—	—	—	4,470,085	—	—	—	—	—	4,470,085
Decrease in the current year										
Disposal and scrapping	—	—	—	(3,800,022)	(2,828,618)	(3,388,122)	(1,246,962)	—	(27,065)	(11,290,789)
Invest in subsidiaries	—	—	—	(12,745,332)	(39,883,690)	—	(8,716,863)	—	(619,595)	(61,965,480)
31 December 2021	430,658,923	6,042,136,908	3,302,870,618	1,093,303,839	234,401,835	826,019,280	53,425,767	143,109,688	23,858,679	12,149,785,537
Accumulated depreciation										
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)
Increase in the current year										
Provision	(15,909,323)	(155,572,598)	(66,076,650)	(44,314,785)	(24,581,498)	(46,192,246)	(4,216,626)	(12,527,238)	(1,403,357)	(370,794,321)
Transfer from right-of-use assets	—	—	—	(808,567)	—	—	—	—	—	(808,567)
Decrease in the current year										
Disposal and scrapping	—	—	—	3,611,361	2,712,680	3,218,716	1,026,639	—	25,983	10,595,379
Invest in subsidiaries	—	—	—	8,895,629	23,608,816	—	4,788,495	—	381,002	37,673,942
31 December 2021	(100,551,969)	(1,242,333,305)	(490,916,231)	(829,537,024)	(143,007,212)	(415,287,373)	(36,242,112)	(78,604,972)	(17,152,036)	(3,353,632,234)
Net book value										
31 December 2021	330,106,954	4,799,803,603	2,811,954,387	263,766,815	91,394,623	410,731,907	17,183,655	64,504,716	6,706,643	8,796,153,303
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 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 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 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets (Continued)

As at 31 December 2021 and 31 December 2020, the Company had no fixed assets which were mortgaged.

For the year ended 31 December 2021, the amounts of depreciation expenses were RMB370,794,321 (For the year ended 31 December 2020: RMB390,644,222) including charged to cost of sales, general and administrative expenses and research and development expenditure were RMB361,412,781, RMB9,259,885 and RMB121,655 respectively (For the year ended 31 December 2020: RMB373,720,600, RMB16,923,622 and RMB0).

For the year ended 31 December 2021, the costs of fixed assets transferred from construction in progress amount to RMB1,419,502,975 (For the year ended 31 December 2020: RMB228,920,329).

As at 31 December 2021 and 31 December 2020, 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 2021, properties with book values of RMB152,573,274 (Cost: RMB159,741,486) (as at 31 December 2020, RMB109,345,028 (Cost: RMB112,941,246)), 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.

Fixed assets leased by the company through operating leases are set out in Note 4 (15).

(9) Construction in progress

	31 December 2021			31 December 2020		
	carrying amount	impairment provision	Net book value	carrying amount	impairment provision	Net book value
Dongjiakou Crude Oil Commercial Reserve Project	796,153,862	—	796,153,862	1,060,900,260	—	1,060,900,260
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	514,875,779	—	514,875,779	331,683,102	—	331,683,102
Other projects	248,783,782	—	248,783,782	146,748,504	—	146,748,504
	<u>2,066,259,985</u>	<u>—</u>	<u>2,066,259,985</u>	<u>2,045,778,428</u>	<u>—</u>	<u>2,045,778,428</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(9) Construction in progress (Continued)

(a) Changes of major projects

Project name	Budget	31 December 2020	Increase in the current year	Transfer to fixed assets	31 December 2021	% of project investment among budget	Progress of the project	Sources of capital
Dongjiakou crude oil commercial reserve project	4,480,000,000	1,060,900,260	1,066,137,074	(1,330,883,472)	796,153,862	47%	47%	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	331,683,102	183,192,677	—	514,875,779	82%	82%	Internal capital
Other projects		146,748,504	190,654,781	(88,619,503)	248,783,782			Internal capital
		<u>2,045,778,428</u>	<u>1,439,984,532</u>	<u>(1,419,502,975)</u>	<u>2,066,259,985</u>			
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>			

As at 31 December 2021 and 31 December 2020, 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 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2020	2,293,914,132	116,341,461	1,362,580	32,269,286	2,443,887,459
Increase in the current year					
Purchase	—	491,909	49,391,000	21,680	49,904,589
Transfer from investment properties	6,219,202	—	—	—	6,219,202
Decrease in the current year					
Disposal and scrapping	—	(9,902,795)	(1,362,580)	—	(11,265,375)
Disposal of subsidiaries	—	(405,923)	—	—	(405,923)
31 December 2021	2,300,133,334	106,524,652	49,391,000	32,290,966	2,488,339,952
Accumulated amortization					
31 December 2020	(256,904,408)	(44,961,517)	(190,766)	(23,372,932)	(325,429,623)
Increase in the current year					
Provision	(47,373,711)	(20,141,898)	(1,748,047)	(3,010,586)	(72,274,242)
Transfer from investment properties	(537,867)	—	—	—	(537,867)
Decrease in the current year					
Disposal and scrapping	—	9,902,796	1,362,580	—	11,265,376
Disposal of subsidiaries	—	175,416	—	—	175,416
31 December 2021	(304,815,986)	(55,025,203)	(576,233)	(26,383,518)	(386,800,940)
Net book value					
31 December 2021	1,995,317,348	51,499,449	48,814,767	5,907,448	2,101,539,012
31 December 2020	2,037,009,724	71,379,944	1,171,814	8,896,354	2,118,457,836

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 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 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

For the year ended 31 December 2021, the amortization of intangible assets amounted to RMB72,274,242 (For the year ended 31 December 2020: RMB63,950,935).

As at 31 December 2021 and 31 December 2020, the Company had no intangible assets which were mortgaged.

As at 31 December 2021 and 31 December 2020, 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 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Intangible assets (Continued)

The Company's development expenses are as follows:

	31 December 2020	Increase in the current year	Decrease in the current year		31 December 2021
			Recorded in profit and loss	Recognized as intangible assets	
Information system maintenance and software	—	63,446,138	(41,024,931)	—	<u>22,421,207</u>

In 2021, the Company's research and development expenditures totalled RMB63,446,138 (2020: RMB46,691,664), of which RMB41,024,931 (2020: RMB7,832,088) was recognised in profit or loss for the current period; no research and development expenditures (2020: RMB38,859,576) were recognised as intangible assets in the current period; RMB22,421,207 was included in the ending balance of research and development expenditures (In 2020, there was no ending balance of research and development expenditures). As at 31 December 2021, the intangible assets developed by the Company accounted for 2.04 % (31 December 2020: the intangible assets developed by the Company accounted for 2.97 %) of the book value of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(11) Provision for asset impairment

	31 December 2020	Increase in the current year	Decrease in the current year		31 December 2021
			Reversal	Write-off	
Provision for bad debts of notes receivable	10,218	—	(10,218)	—	—
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	10,218	—	(10,218)	—	—
Provision for bad debts of accounts receivable	74,637,618	—	(22,406,341)	—	52,231,277
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	74,637,618	—	(22,406,341)	—	52,231,277
Provision for bad debts of other receivables	3,526,614	1,827,014	—	—	5,353,628
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	3,526,614	1,827,014	—	—	5,353,628
	<u>78,174,450</u>	<u>1,827,014</u>	<u>(22,416,559)</u>	<u>—</u>	<u>57,584,905</u>
Provision for impairment of contract assets	<u>1,392,635</u>	<u>—</u>	<u>(1,392,635)</u>	<u>—</u>	<u>—</u>
Subtotal	<u>1,392,635</u>	<u>—</u>	<u>(1,392,635)</u>	<u>—</u>	<u>—</u>
	<u>79,567,085</u>	<u>1,827,014</u>	<u>(23,809,194)</u>	<u>—</u>	<u>57,584,905</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Capital surplus

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium (Note 4(38)) –				
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	17,209,751	—	(5,016,457)	12,193,294
	<u>16,247,471,564</u>	<u>—</u>	<u>(5,016,457)</u>	<u>16,242,455,107</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Capital surplus (Continued)

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium (Note 4(38)) –				
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>—</u>	<u>(7,679,072)</u>	<u>16,247,471,564</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(13) Other comprehensive income

	Other comprehensive income in balance sheet		
	Year ended 31 December 2020	Amount in the current year	Year ended 31 December 2021
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations	291,230,000	(260,020,000)	31,210,000
	<u>291,230,000</u>	<u>(260,020,000)</u>	<u>31,210,000</u>
	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
	<u>191,510,000</u>	<u>99,720,000</u>	<u>291,230,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(14) Undistributed profits

	Year ended 31 December 2021	Year ended 31 December 2020
Undistributed profits at the beginning of year	8,386,455,914	6,637,295,439
Add: Net profit for the current year	3,749,804,530	3,388,142,006
Other changes	105,144,483	—
Less: Appropriation of statutory surplus reserve	(385,494,901)	(338,814,201)
Profit distribution to shareholders (Note 4(42))	<u>(1,701,966,420)</u>	<u>(1,300,167,330)</u>
Undistributed profits at the end of the year	<u>10,153,943,606</u>	<u>8,386,455,914</u>

(15) Revenue and cost of sales

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from main operations	5,080,544,886	5,271,805,463
Revenue from other operations	<u>797,163,158</u>	<u>1,183,648,077</u>
	<u>5,877,708,044</u>	<u>6,455,453,540</u>
	Year ended 31 December 2021	Year ended 31 December 2020
Cost of sales from main operations	(3,663,151,098)	(3,922,039,776)
Cost of sales from other operations	<u>(563,562,434)</u>	<u>(775,952,176)</u>
	<u>(4,226,713,532)</u>	<u>(4,697,991,952)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(15) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	Year ended 31 December 2021		Year ended 31 December 2020	
	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	362,549,435	(103,217,194)	202,090,125	(75,077,840)
Metal ore, coal and other cargo handling and ancillary services	3,424,691,021	(2,776,635,403)	3,239,610,103	(2,650,420,197)
Liquid bulk cargo handling and ancillary services	191,636,294	(17,972,661)	212,908,528	(15,321,777)
Logistics and port value-added services	744,818,630	(443,875,145)	698,276,007	(378,332,539)
Port ancillary services – construction, labor and sales of port machinery	356,849,506	(321,450,695)	918,920,700	(802,887,423)
	<u>5,080,544,886</u>	<u>(3,663,151,098)</u>	<u>5,271,805,463</u>	<u>(3,922,039,776)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(15) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	Year ended 31 December 2021		Year ended 31 December 2020	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Retail income	323,706,899	(167,441,190)	301,790,110	(147,721,913)
Port ancillary service – sales of fuel, electricity and others	473,456,259	(396,121,244)	881,857,967	(628,230,263)
	<u>797,163,158</u>	<u>(563,562,434)</u>	<u>1,183,648,077</u>	<u>(775,952,176)</u>

For the year ended 31 December 2021, 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 2021, the Company's contracted but unfulfilled or unfulfilled performance obligations correspond to revenues of RMB124,586,007 (31 December 2020: RMB457,203,109), of which the Company expects all will be recognized in 2022.

(16) Financial expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Interest costs	34,502,442	99,737,117
Add: Interest expense on lease liabilities	3,692,118	4,402,220
Interest expenses	38,194,560	104,139,337
Less: Interest income	(56,351,760)	(45,371,777)
Effect of actuarial calculation of employee benefits	63,540,000	74,670,000
Exchange gains or losses	14,773,530	25,628,449
Others	719,411	360,041
	<u>60,875,741</u>	<u>159,426,050</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(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 2021	Year ended 31 December 2020
Employee benefits	1,549,571,849	1,244,185,749
Cost for outsourcing transportation	1,098,950,411	1,149,121,347
Subcontract cost	476,815,123	502,907,616
Depreciation of fixed assets	370,794,321	390,644,222
Procurement cost of fuel and utility fees	227,391,740	413,840,242
Cost of sales for fuel and electricity	224,215,368	180,758,486
Consumption of other raw materials	206,312,491	396,828,400
Consumption of raw materials in construction contract	154,544,825	294,957,137
Repair expenses	105,791,516	114,044,750
Rental expenses (i)	91,429,334	97,609,141
Amortization of intangible assets	72,274,242	63,950,935
Depreciation of investment property	44,766,692	44,649,788
Depreciation of right-of-use assets	32,457,386	7,815,290
Property management fees	24,020,569	5,063,450
Consulting fee	19,006,130	11,769,607
Auditor's fee	6,808,378	6,514,151
Others	90,345,480	82,356,895
	<u>4,795,495,855</u>	<u>5,007,017,206</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 2021, the amount is RMB91,429,334.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(18) Investment income

	Year ended 31 December 2021	Year ended 31 December 2020
Investment income from long-term equity investment under equity method	1,251,646,244	1,276,523,231
Cash dividends declared and distributed by the investee calculated pursuant to the cost method	1,479,783,056	950,267,113
Interest income from holding of debt investments	127,383,457	121,781,787
Investment income from financial asset held for trading	30,983,260	117,040,606
Investment income from disposal of long-term equity investments	199,010,103	46,609,272
Discount loss on financing of receivables	<u>(1,254,946)</u>	<u>(1,273,168)</u>
	<u>3,087,551,174</u>	<u>2,510,948,841</u>

(19) Income expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax calculated based on tax law and related regulations	362,017,234	389,514,118
Deferred income tax	<u>(10,299,471)</u>	<u>(3,636,436)</u>
	<u>351,717,763</u>	<u>385,877,682</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 2021	Year ended 31 December 2020
Total profit	<u>4,101,522,293</u>	<u>3,774,019,688</u>
Income tax expenses calculated at applicable tax rates	1,025,380,573	943,504,922
Investment income not subject to tax	<u>(682,857,325)</u>	<u>(556,697,586)</u>
Additional deduction of employee benefits of the disabled	(1,013,495)	(1,220,422)
Non-taxable income	—	(24,316,595)
Costs, expenses and losses not deductible for tax purposes	<u>10,208,010</u>	<u>24,607,363</u>
Income tax expenses	<u>351,717,763</u>	<u>385,877,682</u>

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income from external entrusted loans of other entities other than Qingdao Finance	-	1,906,722
Government grants recognized in profit or loss for the current year	149,112,486	88,935,845
Gains and losses from changes in fair value of financial assets held for trading other than Qingdao Finance	57,192,067	2,195,578
Net income from disposal of non-current assets	21,236,734	17,725,923
Reversal of provision for impairment of accounts receivable that has been separately tested for impairment	1,384,483	1,320,814
Gains/(losses) on disposal of long-term equity investment	128,876,471	47,232,463
Net amount of other non-operating income and expenses	726,608	3,639,485
Other non-operating income and expenditure net items such as profit or loss that meet the definition of non-recurring profit and loss	13,942,164	16,658,238
Subtotal	372,471,013	179,615,068
Less: Income tax effect	(89,632,212)	(40,739,207)
Less : Non-recurring gains and losses attributable to minority shareholders	(26,276,448)	(10,468,310)
Non-recurring gains and losses attributable to shareholders of the parent company	256,562,353	128,407,551

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.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

2 RETURN ON EQUITY AND EPS

	Weighted average return on equity (%)		EPS			
			Basic EPS		Diluted EPS	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Net profit attributable to ordinary shareholders of the company	11.67%	12.17%	0.61	0.59	0.61	0.59
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	10.91%	11.77%	0.57	0.57	0.57	0.57



山东港口
SHANDONG PORT GROUP

青岛港国际股份有限公司
QINGDAO PORT INTERNATIONAL CO.,LTD.