



日照港裕廊股份有限公司  
RIZHAO PORT JURONG CO., LTD.

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

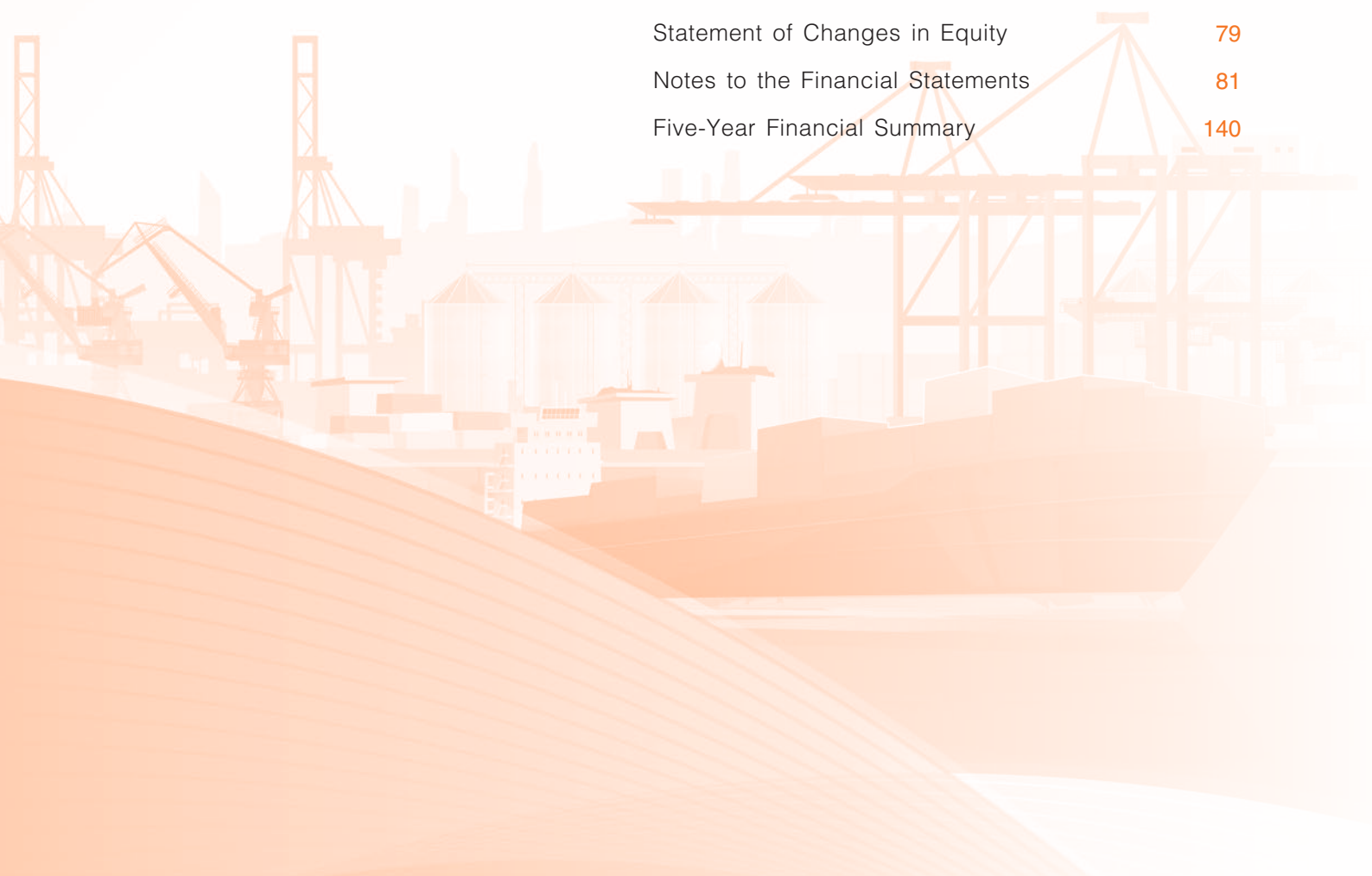
Stock Code: 6117



2021  
ANNUAL REPORT

# Contents

|   |     |
|---|-----|
| Corporate Information   | 2   |
| Definitions   | 4   |
| Chairman's Statement  | 6   |
| Financial Highlights  | 9   |
| Management Discussion and Analysis                                | 10  |
| Corporate Governance Report                                       | 21  |
| Brief Biographies of Directors, Supervisors and Senior Management | 36  |
| Directors' Report   | 46  |
| Supervisors' Report   | 67  |
| Independent Auditor's Report                                      | 69  |
| Statement of Profit or Loss and Other Comprehensive Income        | 74  |
| Statement of Financial Position                                   | 75  |
| Statement of Cash Flows   | 77  |
| Statement of Changes in Equity                                    | 79  |
| Notes to the Financial Statements                                 | 81  |
| Five-Year Financial Summary                                       | 140 |



# Corporate Information

## COMPANY NAME (IN CHINESE)

日照港裕廊股份有限公司

## COMPANY NAME (IN ENGLISH)

RIZHAO PORT JURONG CO., LTD.

## LEGAL REPRESENTATIVE

Mr. Cui Liang

## REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

South End  
Haibin 5th Road  
Rizhao City, Shandong Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai  
Hong Kong

## LISTING DATE

19 June 2019

## PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

## STOCK ABBREVIATION (IN ENGLISH)

RIZHAO PORT JR

## STOCK ABBREVIATION (IN CHINESE)

日照港裕廊

## STOCK CODE

6117

## TELEPHONE

+86 0633 7381 569

## FACSIMILE

+86 0633 7381 530

## E-MAIL

rzgyl@rzportjurong.com

## COMPANY'S WEBSITE

www.rzportjurong.com

## EXECUTIVE DIRECTOR

Mr. He Zhaodi (*resigned on 20 May 2021*)  
Mr. Zhang Feng (*appointed on 20 May 2021*)

## NON-EXECUTIVE DIRECTORS

Mr. Cui Liang (*Chairman*) (*appointed on 24 November 2021*)  
Mr. Wang Yufu (*Chairman*) (*retired on 24 November 2021*)  
Mr. Ooi Boon Hoe  
Mr. Jiang Zidan  
Mr. Pay Cher Wee  
Mr. Chen Lei (*appointed 20 May 2021*)  
Mr. Shi Ruxin (*resigned on 26 January 2021*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zixue  
Mr. Lee Man Tai  
Mr. Wu Xibin

### SUPERVISORY COMMITTEE

Mr. Wang Wei (*Chairman*)  
Mr. Li Weiqing  
Mr. Tham Wai Kong

### JOINT COMPANY SECRETARIES

Mr. Zheng Shiqiang  
Ms. Fok Po Yi (*resigned on 26 January 2021*)  
Ms. Kwan Sau In (*appointed on 26 January 2021 and resigned on 16 July 2021*)  
Ms. Lau Jeanie (*appointed on 16 July 2021*)

### AUTHORIZED REPRESENTATIVES

Mr. He Zhaodi (*resigned on 20 May 2021*)  
Mr. Zhang Feng (*appointed on 20 May 2021*)  
Ms. Fok Po Yi (*resigned on 26 January 2021*)  
Ms. Kwan Sau In (*appointed on 26 January 2021 and resigned on 16 July 2021*)  
Ms. Lau Jeanie (*appointed on 16 July 2021*)

### AUDIT COMMITTEE

Mr. Lee Man Tai (*Chairman*)  
Mr. Zhang Zixue  
Mr. Shi Ruxin (*resigned on 26 January 2021*)  
Mr. Jiang Zidan (*appointed to be a member on 22 April 2021 and ceased to be a member on 20 May 2021*)  
Mr. Chen Lei (*appointed on 20 May 2021*)

### REMUNERATION COMMITTEE

Mr. Zhang Zixue (*Chairman*)  
Mr. Wu Xibin  
Mr. Jiang Zidan

### NOMINATION COMMITTEE

Mr. Cui Liang (*Chairman*) (*appointed on 24 November 2021*)  
Mr. Wang Yufu (*Chairman*) (*retired on 24 November 2021*)  
Mr. Lee Man Tai  
Mr. Zhang Zixue  
Mr. Wu Xibin  
Mr. Pay Cher Wee

### AUDITOR

Grant Thornton Hong Kong Limited

### LEGAL ADVISERS

#### (1) As to Hong Kong laws:

Jun He Law Offices

#### (2) As to PRC laws:

JunHe LLP

### H SHARE REGISTRAR IN HONG KONG

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

### PRINCIPAL BANKER

Agricultural Bank of China  
Rizhao Branch

# Definitions

In this annual report, the following expressions have the following meanings unless otherwise specified:

|                                |   |
|--------------------------------|---|
| “AGM”                          | the 2021 annual general meeting or any adjournment thereof of the Company to be convened at 10:00 a.m. on Wednesday, 18 May 2022 at Office Building of Rizhao Port Jurong Co., Ltd.                                       |
| “Articles of Association”      | the articles of association of the Company, as amended from time to time  |
| “Asia Symbol”                  | Asia Symbol Shandong Co., Ltd. (亞太森博山東漿紙有限公司)   |
| “Audit Committee”              | the audit committee of the Company  |
| “Board”                        | board of Directors  |
| “CG Code”                      | the Corporate Governance Code as set out in Appendix 14 of the Listing Rules  |
| “China” or “PRC”               | People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region and Taiwan   |
| “Company”, “we”                | Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司)  |
| “Director(s)”                  | director(s) of the Company  |
| “Domestic Share(s)”            | ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws                      |
| “H Share(s)”                   | overseas listed shares in the share capital of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in HK\$                    |
| “HK\$”                         | Hong Kong Dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                    | Hong Kong Special Administrative Region of the PRC  |
| “independent third party(ies)” | an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules |
| “Listing Date”                 | 19 June 2019  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)  |
| “Model Code”                   | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules  |

## Definitions (Continued)

|  |   |
|--|---|
| “Nomination Committee”                             | the nomination committee of the Company   |
| “Prospectus”                                       | the prospectus of the Company dated 31 May 2019   |
| “Remuneration Committee”                           | the remuneration committee of the Company   |
| “Reporting Period”                                 | the financial year ended 31 December 2021   |
| “Rizhao Port”                                      | Rizhao Port Co., Ltd. (日照港股份有限公司)   |
| “Rizhao Port Group”                                | Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司) (previously known as Rizhao Port Group Co., Ltd. (日照港集團有限公司))   |
| “Rizhao Port Lanshan”                              | Rizhao Port Lanshan Port Services Co., Ltd.* (日照港股份嵐山港務有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Rizhao Port |
| “Rizhao Port Supervision”                          | Rizhao Port Construction and Supervision Co., Ltd. (日照港建設監理有限公司)  |
| “RMB”  | Renminbi Yuan, the lawful currency of the PRC   |
| “RPG Finance”                                      | Rizhao Port Group Finance Co., Ltd (日照港集團財務有限公司)  |
| “SFO”  | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (as amended from time to time)  |
| “Shandong Gangwan”                                 | Shandong Gangwan Construction Group Co., Ltd. (山東港灣建設集團有限公司)  |
| “Shandong Port Group”                              | Shandong Port Group Co., Ltd. (山東省港口集團有限公司)   |
| “Shandong Port International Trade Rizhao Company” | Shandong Port International Trade Group Rizhao Co., Ltd* (山東港口國際貿易集團日照有限公司)   |
| “Shandong SASAC”                                   | Shandong Provincial State-owned Assets Supervision and Administration Commission  |
| “Share(s)”   | share(s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares   |
| “Shareholder(s)”                                   | holder(s) of the Shares   |
| “Stock Exchange”                                   | The Stock Exchange of Hong Kong Limited   |
| “Supervisor(s)”                                    | supervisor(s) of the Company  |
| “Supervisory Committee”                            | the supervisory committee of the Company  |
| “%”  | per cent  |

\* *Unofficial English translation denotes for identification purposes only*



# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I hereby present to you the annual report of the Company for the year ended 31 December 2021.

In 2021, in the face of the complicated and volatile international situation and the pressure of the prevention and control of the pandemic, the Company persisted in serving customers as the key focus, guided by principles of "Integrity, trust, and win-win collaboration" with enhanced resource aggregation and new business development with focus on our core business, to serve the society and livelihoods, while achieving steady growth. The operational performance indicators showed improvement in both quantity and efficiency, achieving their best results in the past 10 years since the Company was established, delivering outstanding performance for its shareholders.

## **RECORD BUSINESS PERFORMANCE WITH STEADY ASSETS GROWTH**

During the Reporting Period, the throughput was 30.06 million tonnes, an increase of 4.03 million tonnes or 15.5% as compared with the same period of 2020. The operating revenue was RMB758.421 million, an increase of RMB143.103 million or 23.3% as compared with the same period of 2020, and the net profit was RMB168.296 million, an increase of RMB17.167 million or 11.4% as compared with the same period of 2020. The total assets reached RMB2.733 billion, an increase of 9.2% as compared with the same period of 2020, and the net assets value reached RMB2.3941 billion, an increase of 7.6% as compared with the same period of 2020. Performance indicators and the scale of assets achieved their highest performance enhancing value for Shareholders.

## **ENHANCEMENT OF ITS COMPETITIVE ADVANTAGE WITH ALL-ROUND IMPROVEMENT OF ITS PRODUCTION CAPABILITIES**

The Company planned to leverage the efficiency advantages of its port infrastructure to seize opportunities in upstream and downstream industrial development, with efficiency breakthroughs, meeting customers' requirements to achieve stable growth in ports operations, storage and port management services. Port operations contributed to 76.1% of total revenue, with continued enhancement to the overall revenue mix for improved profitability.

The Company strengthened its production and improved its efficiency, with high information management in the flow of goods, transportation logistics, in both road and rail modes, to establish an efficient distribution network from the port, enhanced its vessels berthing and handling efficiencies while instituting pandemic prevention and control measures including the development of an intelligent pandemic prevention system and the purchase of vessel quarantine cabins to provide service guarantee for international vessels.

### **STANDARDIZE THE OPERATION OF THE COMPANY'S GENERAL MEETINGS, BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE, AND IMPROVE THE LEVEL OF CORPORATE GOVERNANCE**

In adherence with good corporate governance, the Company conducted its general meetings, the Board of Directors meetings, and the Supervisory Committee meetings ensuring high standards in information disclosure and investors engagement, abiding strictly in all compliance requirements. In the current reporting year, 4 shareholders' meetings, 5 board meetings and 4 meetings of the Supervisory Committee and meetings for other Committees were held in accordance to the Rules and Procedure to ensure full legal compliance and to maintain good shareholders' relationships.

Over the past year, the Company has received numerous honorary awards, such as "Excellent Contribution Award for Economic Development" of Rizhao Economic Development zone, "Outstanding Grassroots Party Organization", "Outstanding Contribution of Operational Performance Award" of Shandong Port Group, "Advanced Collective" and "Management Innovation Outstanding Unit" of Rizhao Port Group.

### **FUTURE PROSPECTS**

The global grain supply and demand continue to be unevenly balanced for both production and consumption, coupled with scarcity bias to cause the rise of international food prices. In general, the production of main grain producing countries and international grains trade volume are trending higher. China's demand for imported grains from its domestic industries including grain, edible oil and animal feed have shown a growing trend. As an important coastal port of imported grains, the Company handled a year-on-year increase volume of imported grain.

The Company serves its anchor client base of grain and edible oil industry in its immediate vicinity, while extending its service into its deep hinterland portfolio of grain importers based in the inland cities, through efficient logistics and enabling infrastructure such as highway and rail. We expect that with continued growth of demand in imported grains, there will be opportunities for the Company's business to grow. In 2022, we will focus on the following work:

#### **1. Expand market share**

The Company will explore and seize the opportunities to deepen its presence in the regional market to scale its grain business, consolidate the strategic cooperation with core customers, and develop its grain hinterland.

#### **2. Improve overall efficiency**

To boost port service that features "speedy access to berth, speedy unloading and speedy turnaround", the Company will further enhance overall efficiency through planning precision, timeliness and efficient customs and quarantine handling.



## Chairman's Statement (Continued)

### 3. Strengthen cost control

The Company will implement comprehensive targets, enhance technological application to improve production efficiency, optimize operations processes and streamline resources and machinery allocation to reduce costs for profitability improvement.

### 4. Enhance pandemic prevention and control

As the coastal port is the first line of "inbound control", the Company will coordinate for safe operations through strong pandemic prevention and control, by adherence to "Individual Protection, Physical Protection, and Technical Protection", and facilitate a smooth international logistics flow.

Finally, on behalf of the Board of Directors, I would like to thank the Shareholders and business partners of the Company for their strong support and assistance to the Company, and at the same time express my sincere gratitude to all the employees of the Company for their hard work.

**Rizhao Port Jurong Co., Ltd.**

*Chairman*

**Cui Liang**

31 March 2022

# Financial Highlights

|   | <b>2021</b><br><i>RMB'000</i> | 2020<br><i>RMB'000</i> | <b>Change</b><br>% |
|---|-------------------------------|------------------------|--------------------|
| <b>Summary of Statement of Profit or Loss</b>                 |                               |                        |                    |
| Operating revenue   | <b>758,421</b>                | 615,318                | 23.3               |
| Gross profit  | <b>258,340</b>                | 236,157                | 9.4                |
| Operating profit  | <b>226,069</b>                | 201,839                | 12.0               |
| Net profit attributable to shareholders of the parent company | <b>168,296</b>                | 151,129                | 11.4               |
| Basic earnings per share ( <i>RMB cents</i> )                 | <b>10.14</b>                  | 9.10                   | 11.4               |
| <b>Summary of Statement of Financial Position</b>             |                               |                        |                    |
| Cash and cash equivalents                                     | <b>592,669</b>                | 280,280                | 111.5              |
| Net current assets  | <b>550,183</b>                | 297,896                | 84.7               |
| Total assets  | <b>2,732,604</b>              | 2,502,564              | 9.2                |
| Lease liabilities   | <b>246,180</b>                | 207,875                | 18.4               |
| Gearing ratio (%)   | <b>10.28</b>                  | 9.34                   | 10.1               |
| Net assets per share ( <i>RMB</i> )                           | <b>1.44</b>                   | 1.34                   | 7.5                |
| Return on net assets (%)                                      | <b>7.03</b>                   | 6.79                   | 3.5                |
| <b>Summary of Statement of Cash Flows</b>                     |                               |                        |                    |
| Net cash flow from operating activities                       | <b>363,180</b>                | 300,484                | 20.9               |
| Net cash flow used in investing activities                    | <b>(4,604)</b>                | (39,882)               | -88.5              |
| Net cash flow used in financing activities                    | <b>(46,187)</b>               | (178,429)              | -74.1              |
| Net increase in cash and cash equivalents                     | <b>312,389</b>                | 82,173                 | 280.2              |

# Management Discussion and Analysis

## OVERALL SITUATION

In 2021, in the face of a significant challenging and complex international environment and the domestic pandemic outbreak, China continued its stable recovery in restoration of its leading economic growth and effective pandemic prevention and control. The national economy operated within a reasonable range, and with measures to chart a new development trend, for quality development, and to commence a good start for the National 14th Five-Year Plan. The gross domestic product (GDP) for the year was RMB114,367 billion, representing an increase of 8.1% over the previous year with the successive 5.1% annual growth for the last two years. China's imports and exports of goods amounted to RMB39,101 billion, representing an increase of 21.4% from the previous year attributable to its rapid growth. Its trade structure continued to improve, with exports amounted to RMB21,735 billion, representing an increase of 21.2%, while imports amounted to RMB17,366 billion, with an increase of 21.5%. (Data source: National Bureau of Statistics of China).

In 2021, international commodity prices rose significantly, with international grain prices reaching a near-decade high. China's grain imports continued to increase, even as total oil imports declined slightly. Statistics from the General Administration of Customs showed that China's accumulated imported of grains amounted to 164,539,000 tonnes in 2021, a year-on-year increase of 26,173,000 tonnes or 18.1%; the accumulated imports of edible vegetable oil amounted to 10,392,000 tonnes, a year-on-year decline of 398,000 tonnes or 3.7%. Among grain imports, soybean imports declined to 96.518 million tonnes, a year-on-year decrease of 3.797 million tonnes or 3.8%. Imports of maize, wheat and rice exceeded the total import tariff quota for 2021, hitting new records, while both barley and sorghum imports saw year-on-year increases; China's grain import demand continues to trend higher. (Data source: General Administration of Customs of the People's Republic of China)

## OPERATION OF THE PORT INDUSTRY

In 2021, the cargo throughput of the ports in the PRC reached 15,545 million tonnes, representing an increase of 6.8% over the previous year, with foreign trade cargo throughput of ports nationwide reached 4,697 million tonnes, registering an increase of 4.5% over the previous year. With the international pandemic, international vessels were affected by the inspection and testing requirements. The pandemic control measures and more stringent crew changes protocol, resulted in longer stopping time for vessel stays at ports compared to before the pandemic days. This resulted in corresponding in coastal port construction investments which experienced resilient growth in the last two year. A net increase of approximately 70 coastal 10,000-tonne berths were added for the year 2021. (Data source: Ministry of Transport of the People's Republic of China)

# Management Discussion and Analysis (Continued)

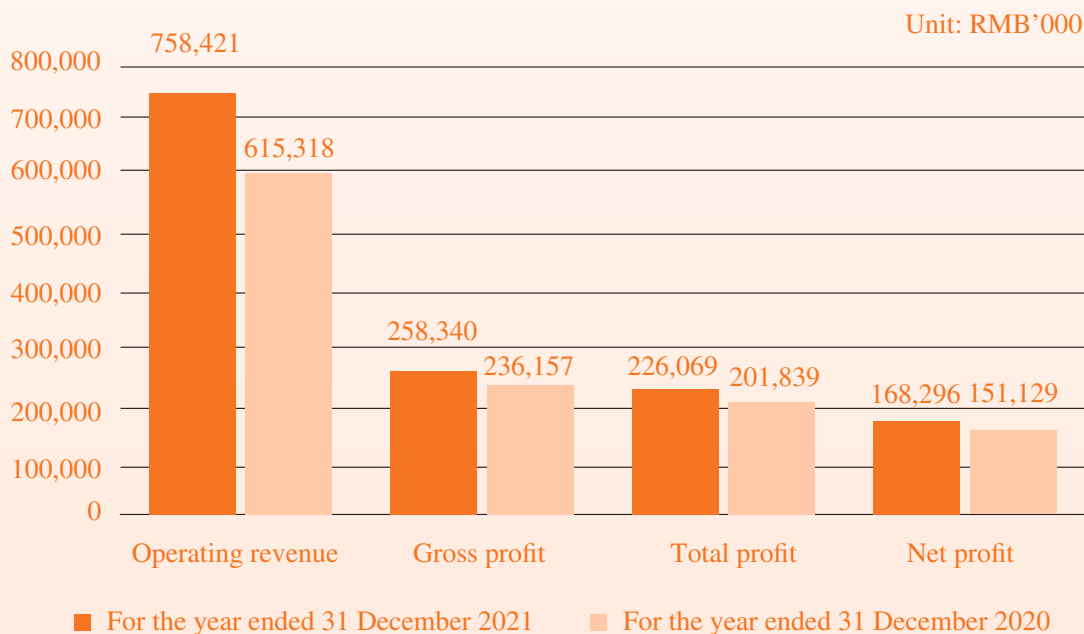
## BUSINESS AND FINANCIAL REVIEW

### Overall Review

In 2021, the Company plans to leverage on its port infrastructure and resources to seize opportunities in upstream and downstream industrial development to. The Company also kept a close watch on national policies, promoted the implementation of projects advantageous to industries, rejuvenated port assets, and expedited the development of industrial clusters. The Company achieves steady growth in cargo throughput and increases in both quantity and efficiency in production and operational performance indicators.

During the Reporting Period, the Company achieved 30.06 million tonnes of cargo throughput, an increase of 15.5% compared to 2020. Steady growth in grains, which included soybeans and maize, to exceed 10 million tonnes per annum for two consecutive years. The throughput of woodchips increased significantly as compared to 2020. The increase in the grain and woodchip more than offset for the decline in dried tapioca and other minor cargo types for a positive impact on the Company's revenue and profit. The Company's major performance indicators show a healthy trend as follows:

### Comparison of Major Performance



During the Reporting Period, the Company achieved an operating revenue of RMB758.421 million, an increase of RMB143.103 million or 23.3% as compared with the same period of 2020.

During the Reporting Period, the Company achieved a gross profit of RMB258.340 million, an increase of RMB22.183 million or 9.4% as compared with the same period of 2020.

During the Reporting Period, the Company achieved the profit before tax of RMB226.069 million, an increase of RMB24.230 million or 12% as compared with the same period of 2020.

## Management Discussion and Analysis (Continued)

During the Reporting Period, the Company achieved a net profit of RMB168.296 million, an increase of RMB17.167 million or 11.4% as compared with the same period of 2020.

### Financial Review

#### Revenue

During the Reporting Period, the Company's total revenue increased by RMB143.103 million or 23.3% as compared with the same period, mainly attributable to an increase of RMB138.627 million in revenue from contracts with customers, and an increase of RMB4.476 million in the income of property leasing.

#### (1) Total Revenue

|   | For the year ended 31 December |                 |  |                         |
|---|--------------------------------|-----------------|--|-------------------------|
|   | 2021<br>RMB'000                | 2020<br>RMB'000 | Period-to-period change<br>Change in amount<br>RMB'000 | Percentage of<br>change |
| Revenue from contracts with customers – |                                |                 |  |                         |
| Provision of services                   | 672,721                        | 534,094         | 138,627  | 26.0%                   |
| Rental income from investment property  | 85,700                         | 81,224          | 4,476  | 5.5%                    |
| <b>Total revenue</b>                    | <b>758,421</b>                 | <b>615,318</b>  | <b>143,103</b>   | <b>23.3%</b>            |

#### (2) Revenue from contracts with customers by service type

|                          | For the year ended 31 December |                 |  |                         |
|--------------------------|--------------------------------|-----------------|--|-------------------------|
|                          | 2021<br>RMB'000                | 2020<br>RMB'000 | Period-to-period change<br>Change in amount<br>RMB'000 | Percentage of<br>change |
| <b>Types of services</b> |                                |                 |  |                         |
| Stevedoring service      | 577,095                        | 459,063         | 118,032  | 25.7%                   |
| Storage service          | 51,997                         | 12,443          | 39,554   | 317.9%                  |
| Port management service  | 16,319                         | 13,839          | 2,480  | 17.9%                   |
| Logistics agency service | 27,310                         | 48,749          | (21,439)   | (44.0%)                 |
| <b>Total</b>             | <b>672,721</b>                 | <b>534,094</b>  | <b>138,627</b>   | <b>26.0%</b>            |

## Management Discussion and Analysis (Continued)

During the Reporting Period, the Company recorded a year-on-year increase of 25.7% in revenue from stevedoring service, due to the business increase of grain imports and woodchip as well as the port tariff adjustments.

During the Reporting Period, the increase in revenue from storage services was mainly due to the adjustments to the free storage period and storage charges to improve the cargo turnaround in the port.

During the Reporting Period, the increase in port management services as compared with the corresponding period was mainly due to an increase in the number of woodchips and grain vessels handled.

During the Reporting Period, the decrease in revenue from logistics agency services as compared with the corresponding period was mainly due to the reduction in the handling of logistics business for some customers with low margin for the Company.

During the Reporting Period, the Company handled soybeans, maize, sorghum and other grain cargo types, as well as woodchips, dried tapioca and other cargo. The following table sets forth the throughput breakdown by cargo types.

### Throughput

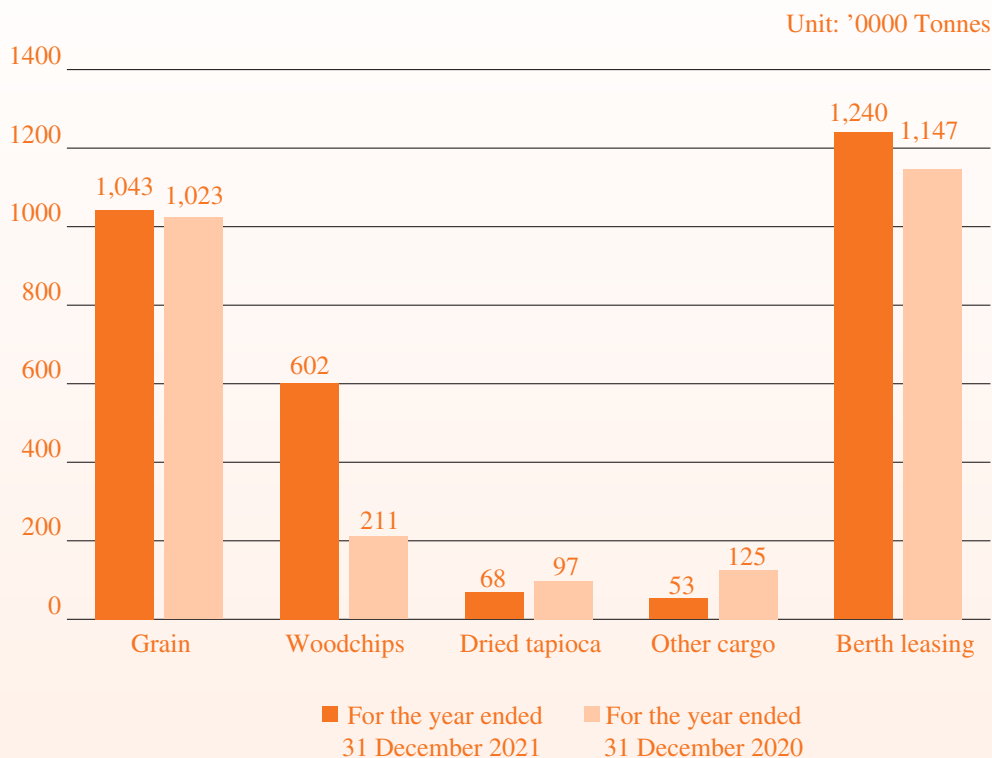
*Unit: '0000 tonnes Excluding percentage*

| Cargo type                  | 2021         |               | 2020         |               | Change       |
|-----------------------------|--------------|---------------|--------------|---------------|--------------|
|                             | Throughput   | Proportion    | Throughput   | Proportion    |              |
| Grain                       | 1,043        | 34.7%         | 1,023        | 39.3%         | 2%           |
| Woodchips                   | 602          | 20.0%         | 211          | 8.1%          | 185.3%       |
| Dried tapioca               | 68           | 2.3%          | 97           | 3.7%          | (29.9%)      |
| Other cargo                 | 53           | 1.8%          | 125          | 4.8%          | (57.6%)      |
| Berth leasing (Asia Symbol) | 1,240        | 41.2%         | 1,147        | 44.1%         | 8.1%         |
| <b>Total</b>                | <b>3,006</b> | <b>100.0%</b> | <b>2,603</b> | <b>100.0%</b> | <b>15.5%</b> |



## Management Discussion and Analysis (Continued)

### Comparison of Throughput by Cargo Type



#### Grain

In 2021, China's total imported grain reached 164.539 million tonnes, an increase of 18% over the same period last year. Seizing the opportunity from Shandong's port restructuring and consolidation, the Company leveraged on its superior resources and comprehensive port coverage to aggregate grains trading and their related activities. These ranges from logistics and warehousing, oil crushing and production, animal feed processing and the activities within their corresponding supply chain, which attracted investments in related projects within its operating region by many well-known grain and oil enterprises. These activities helped support the increase of grain cargo and enabled the Company to achieve stable growth.

#### Woodchips

In 2021, the Company's woodchip business increased significantly as compared with the previous year to a historical high. This is due to the increase in new production capacity by our core customers and the increase in the production and sales paper products and wood pulp, which led to a higher imports of woodchip. To meet this spike in demand, the Company actively coordinated to increase berth availability.

## Management Discussion and Analysis (Continued)

### *Dried tapioca*

In 2021, the national import volume of dried tapioca was on an increasing trend. The Company's dried tapioca business was affected by berth resources and operational constraints, which conflicted with the increased handling of grain and woodchips growth. Adjustments were made to the cargo mix composition as a result, which consequently reduced the volume of dried tapioca handled compared to the same period last year.

### *Other cargo*

In 2021, with the Company's experiencing very high utilisation of berth resources, reduced the volume of temporary stevedoring of other cargoes, this part of rental income had relative less impact on the Company's revenue and profit.

### *Berth leasing*

The Company has a long-term lease agreement to lease its West-4 berth, Wood-2 berth and Wood-3 berth to Asia Symbol, an independent third party engaged in wood pulp production. The business volume of berth leasing is mainly derived from the throughput of woodchips imported by Asia Symbol. Asia Symbol pays the Company a fixed rent each year, and is responsible for the maintenance of the leased berth and related berthing equipment.

### *Cost of sales*

During the Reporting Period, the cost of sales of the Company amounted to RMB500.081 million, increased by RMB120.92 million or 31.9% from RMB379.161 million as compared with the same period of 2020, mainly attributable to the increase in outsourcing business and prevention and control cost of pandemic.

### *Gross profit*

During the Reporting Period, the Company achieved a gross profit of RMB258.34 million, increased by RMB22.183 million or 9.4% from RMB236.157 million as compared with the same period of 2020, mainly attributable to the increase of revenue from stevedoring and storage service.

### *Administrative expenses*

During the Reporting Period, the total administrative expenses of the Company amounted to RMB14.968 million, increased by RMB0.717 million or 5% from RMB14.251 million as compared with the same period of 2020, primarily due to the increase in employees' payroll.

### *Other income*

During the Reporting Period, other income of the Company amounted to RMB8.768 million, increased by RMB1.068 million or 13.9% from RMB7.700 million as compared with the same period of 2020, mainly attributable to the increase in the interest income.

## Management Discussion and Analysis (Continued)

### *Finance costs*

During the Reporting Period, the finance costs of the Company amounted to RMB22.245 million, decreased by RMB2.152 million or 8.8% from RMB24.397 million as compared with the same period of 2020, mainly attributable to the decrease in interest expenses as the bank borrowings was fully repaid in 2020.

### *Income tax expense*

During the Reporting Period, the income tax expense of the Company amounted to RMB57.773 million, increased by RMB7.063 million or 13.9% from RMB50.710 million as compared with the same period of 2020, mainly attributable to the increase in profit before tax of the Company.

### *Total comprehensive income for the period*

Due to the foresaid reasons, during the Reporting Period, the total comprehensive income of the Company was RMB168.296 million, increased by RMB17.167 million or 11.4% from RMB151.129 million as compared with the same period of 2020.

## LIQUIDITY AND CAPITAL RESOURCES

The Company adopts a prudent treasury management policy to maintain a solid and healthy financial position. The Company monitors the cash flows and cash balance on a regular basis and strives to maintain an optimum liquidity that can meet its working capital needs.

The Company funds its operations principally from cash flow generated from operating activities. The Company's primary uses of cash are for working capital and to satisfy the capital expenditure needs of the Company.

As at 31 December 2021, the Company had cash and cash equivalents of RMB592.669 million (2020: RMB280.28 million) which were denominated in RMB.

As at 31 December 2021, the Company had no bank borrowings (2020: Nil).

The Company's current ratio (being the ratio of total current assets to total current liabilities) was 7.51 as at 31 December 2021 (2020: 7.37).

As at 31 December 2021, the Company's gearing ratio (being the ratio of total interest-bearing borrowings to total equity) was 10.28% (2020: 9.34%).

During the Reporting Period, the Company's net cash from operating activities amounted to RMB363.180 million (the corresponding period of 2020: RMB300.484 million). The Company's net cash used in investing activities during the Reporting Period amounted to RMB4.604 million (the corresponding period of 2020: RMB39.882 million). The Company's net cash used in financing activities during the Reporting Period amounted to RMB46.187 million (the corresponding period of 2020: RMB178.429 million).

## Management Discussion and Analysis (Continued)

### PLEDGE OF ASSETS

As at 31 December 2021, the Company did not have any pledge of assets (2020: Nil).

### CONTINGENT LIABILITIES

As at 31 December 2021, the Company did not have any contingent liabilities (2020: Nil).

### CAPITAL EXPENDITURE

The Company's capital expenditure comprised mainly additions to property, plant and equipment. The Company's capital expenditure in the Reporting Period amounted to RMB12.140 million (the corresponding period of 2020: RMB41.722 million).

### SIGNIFICANT INVESTMENTS

During the Reporting Period, no significant investment was made by the Company.

### MATERIAL ACQUISITIONS AND DISPOSAL

During the Reporting Period, the Company had no material acquisitions and disposal of subsidiaries or associated companies.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Company had no plans authorised by the Board for material investments or additions of capital assets as at the date of this report.

## Management Discussion and Analysis (Continued)

### EVENTS AFTER THE REPORTING PERIOD

#### Continuing Connected Transaction – Operation Outsourcing Agreement 2022

As the operation outsourcing agreement dated 23 February 2021 expired on 31 December 2021, in order to continue to procure stevedoring, storage and delivery services of grain cargoes in Lanshan port area, the Company entered into the operation outsourcing agreement 2022 with Rizhao Port Lanshan Port Services Co., Ltd. (日照港股份嵐山港務有限公司) on 12 January 2022 for a term commencing from 12 January 2022 to 31 December 2024. For details, please refer to the announcement of the Company dated 12 January 2022.

#### Continuing Connected Transaction – Shandong Port Shipping Group Framework Agreement

On 3 March 2022, the Company entered into a port-related service (sale) framework agreement with Shandong Port Shipping Group Co., Ltd. (山東港口航運集團有限公司) ("**Shandong Port Shipping Group**"), pursuant to which the Company agreed to provide stevedoring, transit and storage services to Shandong Port Shipping Group and other port-related services that the Company may provide to Shandong Port Shipping Group from time to time, for a term commencing on 3 March 2022 and ending on 31 December 2024. For details, please refer to the announcement of the Company dated 3 March 2022.

#### Continuing Connected Transactions – Property Lease (Procurement) Framework Agreement and the General Service (Procurement) Framework Agreement

On 26 November 2021, the Company entered into the property lease (procurement) framework agreement and the general service (procurement) framework agreement (the "**Agreements**") with Rizhao Port Group for a term commencing from 1 January 2022 (subject to the approval by the independent shareholders at the extraordinary general meeting of the Company) to 31 December 2024. The Company held the extraordinary general meeting on 31 January 2022 and the resolutions approving the continuing connected transactions contemplated under the Agreements and the proposed annual caps were duly passed at the meeting as ordinary resolutions. For details, please refer to the announcements of the Company dated 26 November 2021 and 31 January 2022 and the circular of the Company dated 15 January 2022.

Save as disclosed in this annual report, there are no material events undertaken by the Company after the Reporting Period.

### FOREIGN EXCHANGE RISK MANAGEMENT

The operations of the Company are mainly located in the PRC, and substantially all of business assets, liabilities, operating revenue and expenses of the Company are denominated in or settled in RMB, while liabilities denominated in foreign currencies are mainly used to pay overseas agency fees. As such, the Company considers there is no material foreign exchange exposure. As at 31 December 2021, the Company did not enter into any derivative contracts to hedge the foreign exchange exposure.

## Management Discussion and Analysis (Continued)

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Company had a total of 328 full-time employees, all of whom are based in the PRC (2020: 329 employees). During the Reporting Period, the employees costs of the Company amounted to RMB69.965 million (2020: RMB56.384 million).

The remuneration policy of the Company links the remunerations of employees with performance, according to their positions, qualifications, work performance and the Company's production and operation results. For the senior management of the Company, the Company implements a basic salary and a performance-based salary policy. The employees' remunerations are reviewed and adjusted by the Company annually. The Company also provides employees with various benefits in accordance with the relevant national, municipal and city-level laws and regulations in the PRC.

In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Company offers internal trainings on safety and security, business operations and technical skills to the employees for their improvement of skills related to their roles.

### FUTURE PROSPECTS

In 2022, where the world's economic and trade development will be recovering from the ups and downs with a downward trend in economic growth, rising global inflation may pose hidden concerns for economic development, and a great uncertainty remains over the development of global pandemic. The global grain crisis has been exacerbated by the impact of the new pandemic, natural disasters and war, which has reduced grain exports and increased grain prices. In general, global grain remains uneven in production and consumption, and relatively scarce. Based on our analysis of cargo type of the grain and woodchip, we estimate that the Company's main cargo business will continue to grow, and with the integrated capacity of berths, yards and warehousing resources, there is still spacious room for the Company to grow its market share.

During the 14th Five-Year Plan period, China has proposed to accelerate the construction of a new development pattern focused on domestic development while complementing and synchronising the domestic and international development. Domestic demand is expected to exhibit resilient growth. With increasing global grain consumption coupled with the impact of the pandemic on the global economy, grain prices have been on the rise. Full recovery from the pandemic is not expected in the near term, and grain prices are expected to continue its ascent.

Aggregating the scale of hinterland demand with the Company's strong base in its immediate port vicinity for grain and edible oil clusters, the company plan to capitalise on the expected continued growth in the demand for imported grain in China's demand for imported grains.



## Management Discussion and Analysis (Continued)

To this end, the Company will focus on the following tasks:

### **Seizing and exploring market opportunities**

The Company intends to explore the opportunities brought by the new production capacity of the industry, by scaling up our grain businesses, through strategic partnership with core customers, leverage on railway policies to collaborate and develop a logistics connectivity to new hinterland locations of Linyi, Lanzhou, Sichuan and Chongqing regions.

### **Enhancing speedy and precision operations for optimal efficiency**

To boost port service through “fast access to shoreline, fast unloading and fast evacuation”, with planning precision, timeliness and efficient customs and quarantine handling. Non-production downtime will be compressed by 10%, and the unloading rate of a single vessel will be increased to further improve the overall efficiency.

### **Continuing efforts in cost control**

The Company will strengthen its process planning in production to focus on improving operational efficiency and rationalising the allocation of resources to better control its unit cost of operation for cost rationalisation.

### **Establishing a stronger accountability in the prevention and control, of the pandemic and strengthening the normalised prevention and control of the pandemic**

As the coastal port is the first line of “inbound control”, the Company will coordinate the safe production and prevention and control of pandemic. The Company’s pandemic prevention and control effort has normalized the operation of boarding vessels, through systematic risk assessment and decision making to establish joint prevention and control protocol with port units in ensuring a continued healthy operating environment for the Company.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving a high standard of corporate governance practices in the belief that they are critical to the development of the Company and essential for protecting the interest of the shareholders of the Company (the “**Shareholders**”). The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company reviews its corporate governance practice from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of the Shareholders and other stakeholders.

Save for the deviations disclosed below, the Company has complied with the relevant requirements of the applicable code provisions of the CG Code for the year ended 31 December 2021.

Mr. Shi Ruxin (“**Mr. Shi**”) tendered his resignation as a non-executive Director due to other business engagements and ceased to serve as a member of the Audit Committee, with effect from 26 January 2021.

Following the resignation of Mr. Shi as a non-executive Director, the Audit Committee was comprised of two independent non-executive Directors. Accordingly, the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules and Article 4 of the Terms of Reference and Rules of Procedures of the Audit Committee.

Following the appointment of Mr. Jiang Zidan (“**Mr. Jiang**”) as a member of the Audit Committee with effect from 22 April 2021, the Audit Committee consisted of two independent non-executive Directors and one non-executive Director. Accordingly, the composition of the Audit Committee has been in compliance with the requirements under Rule 3.21 of the Listing Rules and Article 4 of the Terms of Reference and Rules of Procedures of the Audit Committee.

Following the appointment of Mr. Chen Lei (“**Mr. Chen**”) as a non-executive Director at the 2020 annual general meeting of the Company held on 20 May 2021, Mr. Chen was also appointed as a member of the Audit Committee and Mr. Jiang ceased to be a member of the Audit Committee with immediate effect.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for the Directors and the supervisors of the Company (the “**Supervisors**”) to conduct securities transactions. Having made specific enquiry of all the Directors and Supervisors, each of the Directors and the Supervisors has confirmed that he/she has complied with the required standard as set out in the Model Code during the Reporting Period.

# Corporate Governance Report (Continued)

## THE BOARD

### Board Composition

In compliance with code provision B.1.2 of the CG Code, an updated list of the Directors identifying their role and function are available on the websites of the Company ([www.rzportjurong.com](http://www.rzportjurong.com)) and HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company will review the composition of the Board from time to time to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Company's business and to enhance the Shareholders' value.

The Board currently comprises nine Directors in total, including one executive Director, five non-executive Directors and three independent non-executive Directors. The composition of the Board during the year and up to the date of this annual report is set out as follows:

#### Executive Director

Mr. Zhang Feng (*appointed on 20 May 2021*)  
Mr. He Zhaodi (*resigned on 20 May 2021*)

#### Non-executive Directors

Mr. Cui Liang (*Chairman*) (*appointed on 24 November 2021*)  
Mr. Wang Yufu (*Chairman*) (*retired on 24 November 2021*)  
Mr. Ooi Boon Hoe  
Mr. Jiang Zidan  
Mr. Pay Cher Wee  
Mr. Chen Lei (*appointed on 20 May 2021*)  
Mr. Shi Ruxin (*resigned on 26 January 2021*)

#### Independent Non-executive Directors

Mr. Zhang Zixue  
Mr. Lee Man Tai  
Mr. Wu Xibin

Pursuant to the Articles of Association, Directors shall be elected or replaced at shareholders' general meetings and serve a term of three years. Directors are eligible for re-election upon the expiration of their terms. If the Board appoints a new director to fill a temporary vacancy, the appointed director shall be subject to election by the Shareholders at the first shareholders' general meeting after his or her appointment.

Biography of each Director is set out in the section headed "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report.

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

## Corporate Governance Report (Continued)

### Board Meetings and General Meetings

According to the Articles of Association, Board meetings shall be held at least 4 times a year. At least 14 days' notice shall be given for a regular board meeting. At least 3 days' notice shall be given in the event of an extraordinary board meeting. Notice of the annual general meeting of the Company shall be served to all shareholders 20 days before the meeting is held, and notice of the extraordinary general meeting shall be served to all shareholders 15 days before the meeting is held. The company secretary of the Company assists the chairman of the Board in preparing the agenda for each meeting. The agenda and board papers shall be despatched at least 3 days before the date of the regular board meeting to enable the Directors to have full and timely access to relevant information. The Board decisions are voted upon at the board meetings. The company secretary of the Company records all matters considered and decisions reached by the Board and any concerns raised or dissenting views expressed by the Directors. Minutes of the meetings are kept by the company secretary.

A Board meeting shall be attended by more than half of the Directors. The Directors may attend the board meeting in person or authorise another director in writing to attend the board meeting on his or her behalf.

During the Reporting Period, the Board held 5 board meetings and convened 4 shareholders' general meetings in total. The attendance record of the Directors of the above meetings is set out below:

| Name of Directors                          | Attendance/Number of Meetings Held During Directors' Tenure |  |   |
|--|---|--|---|
|  | Number of Board Meetings Required to Attend                 | Number of Annual General Meetings Required to Attend | Number of Extraordinary General Meetings Required to Attend |
| <i>Executive Director</i>                  |   |  |   |
| Mr. He Zhaodi ( <i>Note 1</i> )            | 2/2   | 1/1  | –   |
| Mr. Zhang Feng ( <i>Note 2</i> )           | 3/3   | –  | 3/3   |
| <i>Non-executive Directors</i>             |   |  |   |
| Mr. Cui Liang ( <i>Note 3</i> )            | –   | –  | –   |
| Mr. Wang Yufu ( <i>Note 4</i> )            | 5/5   | 1/1  | 3/3   |
| Mr. Ooi Boon Hoe                           | 5/5   | 1/1  | 3/3   |
| Mr. Shi Ruxin ( <i>Note 5</i> )            | –   | –  | –   |
| Mr. Jiang Zidan ( <i>Note 6</i> )          | 5/5   | 1/1  | 3/3   |
| Mr. Pay Cher Wee                           | 5/5   | 1/1  | 3/3   |
| Mr. Chen Lei ( <i>Note 7</i> )             | 3/3   | –  | 3/3   |
| <i>Independent non-executive Directors</i> |   |  |   |
| Mr. Zhang Zixue                            | 5/5   | 1/1  | 3/3   |
| Mr. Lee Man Tai                            | 5/5   | 1/1  | 3/3   |
| Mr. Wu Xibin                               | 5/5   | 1/1  | 3/3   |

#### Notes:

- Mr. He Zhaodi resigned as an executive Director on 20 May 2021.
- Mr. Zhang Feng was appointed as an executive Director on 20 May 2021.
- Mr. Cui Liang was appointed as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 24 November 2021.
- Mr. Wang Yufu retired as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 24 November 2021.
- Mr. Shi Ruxin resigned as a non-executive Director and a member of the Audit Committee on 26 January 2021.
- Mr. Jiang Zidan was appointed as a member of the Audit Committee on 22 April 2021 and ceased to be a member of the Audit Committee on 20 May 2021.
- Mr. Chen Lei was appointed as a non-executive Director and a member of the Audit Committee on 20 May 2021.

In addition to Board meetings, a meeting of the Chairman and the independent non-executive Directors without the presence of other Directors and the management was held in 2021.

## Corporate Governance Report (Continued)

### **Responsibilities of the Board and Management**

The Board shall act in the interests of all the Shareholders and shall be accountable to the general meeting. The Board shall mainly be responsible for: implementing the resolutions of the general meeting; determining the operation plan and investment program of the Company; formulating the annual financial budget plan and final accounting plan of the Company; formulating the profit distribution plan of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company, etc. The Company has established three committees under the Board to oversee specific matters of the Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, the management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

### **Nomination, Appointment and Removal of Directors**

The Company has formulated a formal and transparent procedure for the appointment of new directors to the Board. Nomination and appointment of new directors is first considered by the Nomination Committee and the Remuneration Committee whose recommendations will then be put to the Board for consideration. All newly nominated directors are subject to the approval of the shareholders at the Company's general meetings. For details of the Company's policy for nomination of Directors, please refer to the paragraph headed "Board Committees – Nomination Committee – Policy for the nomination of directors" in this annual report. Removal of members of the Board and their remuneration and payment terms are also subject to the approval of the Shareholders at the Company's general meetings.

### **Independent Non-executive Directors**

The Company has received from each independent non-executive Director an annual confirmation of their independence in accordance with Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that, as at the date of this annual report, the independent non-executive Directors are independent from the Company.

## Training and Professional Development of Directors

During the Reporting Period, all Directors have complied with code provision C.1.4 of the CG Code to participate in continuous professional development to develop and refresh their knowledge and skills by participating in seminars or trainings or reading materials on the following topics:

| Name of Directors                                      | Training contents |
|--|-------------------|
| <i>Executive Director</i>                              |                   |
| Mr. He Zhaodi ( <i>resigned on 20 May 2021</i> )       | –                 |
| Mr. Zhang Feng ( <i>appointed on 20 May 2021</i> )     | (1) (2)           |
| <i>Non-executive Directors</i>                         |                   |
| Mr. Wang Yufu ( <i>retired on 24 November 2021</i> )   | (1)               |
| Mr. Cui Liang ( <i>appointed on 24 November 2021</i> ) | (1) (2)           |
| Mr. Ooi Boon Hoe                                       | (1) (2)           |
| Mr. Shi Ruxin ( <i>resigned on 26 January 2021</i> )   | –                 |
| Mr. Jiang Zidan  | (1) (2)           |
| Mr. Pay Cher Wee                                       | (1) (2)           |
| Mr. Chen Lei ( <i>appointed on 20 May 2021</i> )       | (1) (2)           |
| <i>Independent Non-executive Directors</i>             |                   |
| Mr. Zhang Zixue  | (1) (2)           |
| Mr. Lee Man Tai  | (1) (2)           |
| Mr. Wu Xibin   | (1) (2)           |

*Notes:*

- (1) Director's duties
- (2) Legal and compliance

## CHAIRMAN AND GENERAL MANAGER

The posts of chairman and general manager of the Company are separate and held by different persons to ensure their respective independence of responsibility and accountability and the balance of power and authority between them. The chairman (Mr. Cui Liang, a non-executive Director) plays a crucial role in setting the development strategy of the Company, and is responsible for ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst the general manager (Mr. Zhang Feng, an executive Director) is responsible for the day-to-day management of the Company's operations, including organizing the implementation of strategies set by the Board, making day-to-day decisions and coordinating overall business operations.



## Corporate Governance Report (Continued)

### BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee, all with specific terms of reference clearly defining the powers and responsibilities of the respective Board committees. All Board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations.

During the Reporting Period, the attendance record of Directors at the meeting of each Board Committee is as follows:

| Name of Directors                          | Attendance/Number of Meetings Required to Attend<br>During Directors' Tenure |                           |                         |
|--|--|---------------------------|-------------------------|
|  | Audit Committee  | Remuneration<br>Committee | Nomination<br>Committee |
| <i>Executive Director</i>                  |  |                           |                         |
| Mr. He Zhaodi (Note 1)                     | –  | –                         | –                       |
| Mr. Zhang Feng (Note 2)                    | –  | –                         | –                       |
| <i>Non-executive Directors</i>             |  |                           |                         |
| Mr. Cui Liang (Note 3)                     | –  | –                         | –                       |
| Mr. Wang Yufu (Note 4)                     | –  | –                         | 3/3                     |
| Mr. Ooi Boon Hoe                           | –  | –                         | –                       |
| Mr. Shi Ruxin (Note 5)                     | –  | –                         | –                       |
| Mr. Jiang Zidan (Note 6)                   | –  | 3/3                       | –                       |
| Mr. Pay Cher Wee                           | –  | –                         | 3/3                     |
| Mr. Chen Lei (Note 7)                      | 2/2  | –                         | –                       |
| <i>Independent Non-executive Directors</i> |  |                           |                         |
| Mr. Zhang Zixue                            | 3/3  | 3/3                       | 3/3                     |
| Mr. Lee Man Tai                            | 3/3  | –                         | 3/3                     |
| Mr. Wu Xibin                               | –  | 3/3                       | 3/3                     |

*Notes:*

- Mr. He Zhaodi resigned as an executive Director on 20 May 2021.
- Mr. Zhang Feng was appointed as an executive Director on 20 May 2021.
- Mr. Cui Liang was appointed as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 24 November 2021.
- Mr. Wang Yufu retired as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 24 November 2021.
- Mr. Shi Ruxin resigned as a non-executive Director and a member of the Audit Committee on 26 January 2021.
- Mr. Jiang Zidan was appointed as a member of the Audit Committee on 22 April 2021 and ceased to be a member of the Audit Committee on 20 May 2021.
- Mr. Chen Lei was appointed as a non-executive Director and a member of the Audit Committee on 20 May 2021.

### Audit Committee

The Audit Committee was established by the Company with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. Its main responsibilities are to review and supervise the financial report and internal audit system of the Company, oversee the audit process, engage, renew or remove external auditors, review and oversee the existing and potential risks of the Company and perform other duties and responsibilities as assigned by the Board.

On 26 January 2021, Mr. Shi Ruxin resigned as a member of the Audit Committee. On 22 April 2021, Mr. Jiang Zidan was appointed as a member of the Audit Committee. On 20 May 2021, Mr. Chen Lei was appointed as a member of the Audit Committee, and Mr. Jiang Zidan ceased to be a member of the Audit Committee. As at 31 December 2021, the Audit Committee consisted of two independent non-executive Directors, namely Mr. Lee Man Tai and Mr. Zhang Zixue and one non-executive Director, namely Mr. Chen, and the chairman of the Audit Committee was Mr. Lee Man Tai.

During the Reporting Period, the Audit Committee held 3 meetings and performed the following duties:

- (a) reviewed the Company's annual report and audited financial statements for the year ended 31 December 2020;
- (b) reviewed the Company's interim report and interim unaudited financial statements for the six months ended 30 June 2021;
- (c) reviewed the non-exempted continuing connected transactions of the Company;
- (d) considered the re-appointment of Grant Thornton Hong Kong Limited ("**Grant Thornton**") as the independent auditor during the Reporting Period and made recommendations to the Board; and
- (e) reviewed the risk management and internal control procedures of the Company.

The Audit Committee has, together with the management of the Company and the external auditors, reviewed the audited financial statements in this annual report. They have also discussed the key risks and the internal control and risk management issues, and reviewed the audit plan, internal control performance and the effectiveness of the internal control system.

### Remuneration Committee

The Remuneration Committee was established by the Company with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee has adopted the model described in code provision E.1.2(c) of the CG Code in its terms of reference that it shall make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. Its other main responsibilities are to make recommendations to the Board on the remuneration policy and structure for the Directors, the Supervisors and senior management, on the establishment of a formal and transparent procedure for the formation of a remuneration policy and on the remuneration of non-executive Directors.

## Corporate Governance Report (Continued)

During the Reporting Period, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. Zhang Zixue and Mr. Wu Xibin and one non-executive Director, namely Mr. Jiang Zidan, and the chairman of the Remuneration Committee was Mr. Zhang Zixue.

During the Reporting Period, the Remuneration Committee held 3 meetings and performed the following duties:

- (a) reviewed the Company's remuneration policy; and
- (b) considered the remuneration package for the newly appointed non-executive Directors, executive Director and senior management and made recommendations to the Board.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of members of the senior management by band are as follows:

| <b>Remuneration band (RMB)</b> | <b>Number of persons</b> |
|--------------------------------|--------------------------|
| 0 – 500,000                    | 4                        |
| 500,001 – 1,000,000            | 1                        |
| 1,000,001 – 1,500,000          | –                        |

Further details of the remunerations of Directors and the five highest paid employees are disclosed in Notes 11 and 12 to the financial statements of this annual report.

### Nomination Committee

The Nomination Committee was established by the Company with written terms of reference in compliance with the CG Code. Its main responsibilities are to review the structure, size and members of the Board, make recommendations to the Board on the appointment and removal of Directors, and review independence of independent non-executive Directors.

On 24 November 2021, Mr. Wang Yufu ceased to serve as the chairman of the Nomination Committee and Mr. Cui Liang was appointed as the chairman of the Nomination Committee. As at 31 December 2021, the Nomination Committee consisted of three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Zhang Zixue and Mr. Wu Xibin and two non-executive Directors, namely Mr. Cui Liang and Mr. Pay Cher Wee, and the chairman of the Nomination Committee was Mr. Cui Liang.

During the Reporting Period, the Nomination Committee held 3 meetings and performed the following duties:

- (a) considered the suitability of the nominees of the non-executive Directors (Mr. Chen Lei and Mr. Cui Liang) and executive Director (Mr. Zhang Feng) and made recommendations to the Board;
- (b) assessed the independence of independent non-executive Directors; and
- (c) reviewed the training and continuous professional development of director and senior management of the Company.

### Policy for the Nomination of Directors

The directors shall be elected or replaced at the general meeting of shareholders and serve a term of three years. Directors are eligible for re-election upon expiration of their terms of office. The Chairman of the Board shall be elected and removed by more than half of all the members of the Board. The term of the Chairman is three years and may be re-elected. The term of independent non-executive directors is three years and subject to re-election with a term of not more than nine years, unless otherwise stipulated by relevant laws and regulations.

The first session of director candidates shall be nominated by the promoters; the next session of director candidates shall be nominated by the last Board and shareholders who individually or jointly hold more than 3% of the Company's shares. In terms of the specific procedures for nomination of the Board of last session, in order to control the number of the directors of the last session within the number specified in the Articles of Association, a list of proposed candidates for directors based on the number of proposed candidates for election shall be submitted to the Board for review. After the Board has reviewed and passed a resolution to determine the candidates for directors, it shall submit a written proposal to the general meeting. The nomination methods and procedures of independent non-executive directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations and departmental rules.

In respect of any shareholder's submission to the Company of (i) a notice of his intention to recommend a director candidate and (ii) a notice to the Company by that the director candidate indicates his acceptance of nomination, the deadline for giving the said notice shall not be earlier than the latest date of issue of the notice of such election meeting nor expires 7 days prior to the date of the meeting; however, such notice shall be given within at least 7 days.

### Board Diversity Policy

The Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ages of Directors of the Company range from 35 to 58, and all Directors have extensive working experience in their respective fields, including strategic management, business development, legal, financial, auditing and accounting experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. The Board and the Nomination Committee will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level, which can be improved given its current composition of all male directors, and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. We will appoint, subject to the above, at least one female representation in our Board before 31 December 2024, We will continue with our endeavor to increase female representation in our Board.

Our diversity policy including the gender diversity was generally followed in the workforce throughout the Company for the year ended 31 December 2021. As at the date of this annual report, 78% of our total workforce were male and 22% of our total workforce were female.

## Corporate Governance Report (Continued)

### SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to the general meeting of the Shareholders. Supervisors shall act independently to protect the legal interests of the Shareholders and the Company in accordance with the relevant laws and regulations and the Articles of Association.

The authority and duties of the Supervisory Committee include but not limited (a) to review the financial statements, business report and profit distribution plan prepared by the Board and may retain certified accountant or certified auditor to review the financial information; (b) to supervise the financial activities of the Company; (c) to demand the rectification of acts of the Directors, Chairman and senior management which are against the interests of the Company; and (d) to exercise other power, authority and duties in accordance with the Articles of Association.

As at 31 December 2021, the Supervisory Committee consists of three members, namely Mr. Wang Wei, Mr. Li Weiqing and Mr. Tham Wai Kong, and the chairman of the Supervisory Committee was Mr. Wang Wei. Each Supervisor shall serve a term of three years and may be re-elected for successive terms.

Particulars of the Supervisors are set out in the section headed "Brief Biographies Details of Directors, Supervisors and Senior Management" of this annual report. The work of the Supervisory Committee is set out in the Supervisors' Report in this annual report.

### CORPORATE GOVERNANCE FUNCTIONS

The corporate governance function of the Company is carried out by the Board with written terms of reference in compliance with code provision A.2.1 of the CG Code. The main responsibilities are to develop and review the policies and practices on corporate governance of the Company, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, review and monitor the training and continuous professional development of Directors and senior management and review the Company's compliance with the CG code and the disclosure in the Corporate Governance Report in this annual report.

During the Reporting Period, the Board performed the following duties:

- (a) reviewed the Company's policies and practices on corporate governance;
- (b) reviewed the training and continuous professional development of the Directors; and
- (c) reviewed the Company's compliance with the CG Code and the disclosure in the corporate governance report.

### EXTERNAL AUDITOR'S REMUNERATION

For the Reporting Period, the remuneration paid and payable to the external auditor of the Company in respect of audit and non-audit services were HK\$740,000 and HK\$90,000, respectively, which has been reviewed and approved by the Audit Committee. The non-audit services were in relation to the Company's 2021 interim report.

The Audit Committee had considered the external auditor's dependence and objectivity as required under the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accounts, reviewed the terms of their engagement, nature and scope of the audit and reporting obligations.

The Audit Committee is satisfied with the findings of their review of the engagement process.

### ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 December 2021, the Directors have adopted suitable accounting policies which are pertinent to the Company's operations and relevant to the financial statements and have presented an understandable assessment of the Company's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the accounts is prepared on a going concern basis and they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

A statement by the external auditor about their reporting responsibilities is set out on pages 72 to 73 of this annual report.

### JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Zheng Shiqiang, joint company secretary of the Company, and Ms. Lau Jeanie, another joint company secretary from SWCS Corporate Services Group (Hong Kong) Limited, confirmed that they have complied with the requirements on a minimum of 15 hours dedicated for relevant professional training as set out in Rule 3.29 of the Listing Rules. On 26 January 2021, Ms. Fok Po Yi resigned as the joint company secretary of the Company and Ms. Kwan Sau In (an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited) was appointed as a joint company secretary of the Company. On 16 July 2021, Ms. Kwan Sau In resigned as the joint company secretary of the Company and Ms. Lau Jeanie was appointed as a joint company secretary of the Company. The main contact person of Ms. Lau Jeanie is Mr. Zheng Shiqiang, one of the joint company secretaries of the Company.



## Corporate Governance Report (Continued)

### RISK MANAGEMENT AND INTERNAL CONTROL

One of the major functions and responsibilities of the Board is to maintain adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets. The risk management and internal control measures are designed to manage and mitigate rather than eliminate the risks inherent in the Company's business, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Company reviews the effectiveness of the risk management and internal control systems every year. The review covers all important aspects that need to be monitored, including finance, operation and compliance as well as risk management. The Company has defined the lines of authority and monitoring responsibilities for risk management and internal control of each business unit of the Company, and established a risk management department so as to ensure clear division of responsibilities and effective accountability. The Company has also set up internal procedures and management manuals to supervise the operations.

To establish effective risk management and internal control, the Company has adopted the following measures:

#### Compliance Control

The Company has established a set of compliance management mechanism to promote compliance operation of the Company. The Company has also complied with the requirements under the Listing Rules, SFO and the Guidelines on Disclosure of Inside Information which regulates information disclosure. The Company has formulated and shall strictly implement the Management Regulations Governing Information Disclosure (the "**Regulations**"), and shall gradually establish the comprehensive process of reporting, identifying and disclosing inside information; the Supervisory Committee shall review the implementation of the Regulation from time to time and urge the Board to rectify any deviation from the Regulation. In order to deal with the compliance in connected transactions, the Company has fully established an early warning system for connected transactions. The Company's securities affairs office, finance office and other departments closely cooperate to verify the amount of connected transactions every month. From the two dimensions of "time schedule" and "transaction amount", the Company has implemented and differentiated color warnings for continuing connected transactions, and strengthened the supervision and control of the internal audit department, so as to prevent the occurrence of violations.

#### Operation Control

The Company has endeavored to establish a systematic and complete corporate operational monitoring mechanism to reduce corporate risks. The Company has formulated a contract management system, seal management and other systems to strengthen contract risk control. The Company has established and improved the safety responsibility system and safety management system to ensure safe production and operation of the port.

### Finance Control

The Company has strictly abided by a series of financial management regulations and measures, including business outsourcing, fixed assets leasing, receivables, financing management and notes management, etc. to effectively prevent and reduce financial risks. The Company has introduced comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and the management. The Audit Committee communicates with auditors regularly to review the regular reports, as well as supervise the financial operation of the Company. 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.

### Internal Audit Control

The Company establishes an internal audit department with corresponding supervision and audit responsibilities in order to assist the Audit Committee and the Supervisory Committee to review and supervise the factuality, legitimacy and efficiency for the Company's financial condition, construction projects and related economic activities.

The Board and the Audit Committee has conducted its regular and annual review of the effectiveness of the Company's risk management and internal control systems in respect of the Reporting Period to ensure effective measures are in place to protect material assets and identify business risks of the Company. Such review did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate.

## INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The secretary of the Board is responsible for the overall coordination and arrangement of the management work of investor relations and the investor relations personnel is responsible for the specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The Company has established several communication channels, including (a) the annual and extraordinary general meetings, road shows, as well as site visits, which provide a forum for the Shareholders to communicate directly with the Board; (b) printed corporate documents mailing to the Shareholders; (c) announcement disseminating the latest activities of the Company on the website of the Company and the Stock Exchange; and (d) the Company's website providing an electronic means of communication. Furthermore, the secretary of the regularly reports to the management on the reports investors' perception of the Company and relevant development, 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.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

### SHAREHOLDERS' RIGHTS

#### Convening of extraordinary shareholders' general meeting

Pursuant to the Articles of Association, shareholders holding individually or collectively 10% or more of the Company's shares may request in writing for the convening of an extraordinary shareholders' general meeting and shall follow the following procedures:

- (a) Two or more shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board to convene an extraordinary shareholders' general meeting and stating the subject of the meeting.
- (b) The Board shall convene an extraordinary shareholders' general meeting as soon as possible after having received the aforesaid written request.
- (c) If the Board fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, the shareholders who made such request may request the Supervisory Committee to convene the extraordinary shareholders' general meeting.
- (d) If the Supervisory Committee fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, shareholders, for more than 90 consecutive days, individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may convene the meeting of their own accord within four months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which the shareholders' general meetings are to be convened by the Board.

### Procedures for proposal at the general meeting

Pursuant to the Articles of Association, shareholders individually or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company and submit them to the convener 10 days before the meeting. The convener of the shareholders' general meeting shall issue a supplementary notice of the shareholders' general meeting to other shareholders within two days upon the receipt of such proposal.

### Enquiry to the Board

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

Office of the Board

Telephone: +86 0633 7381 569

Fax: +86 0633 7381 530

E-mail: rzgyl@rzportjurong.com

Address: South End, Haibin 5th Road, Rizhao City, Shandong Province, PRC

### DIVIDEND POLICY

The Board may declare dividends after considering (a) the operational results, financial position, cash requirements and availability and capital expenditure requirements of the Company; (b) the previous dividend payout ratio of the Company; (c) reference to other companies in the same industry listed on the Stock Exchange; and (d) other factors it may deem relevant at that time. Any declaration and payment and the amounts of dividends shall be in accordance with the Articles of Association and the relevant laws and regulations of the PRC.

### CONSTITUTIONAL DOCUMENTS

In order to meet the relevant requirements of the Party Committee of Shandong Port Group in respect of the incorporation of the contents of Party Establishment into the Company's Articles of Association, further standardise corporate governance of the Company and improve decision-making, amendments have been made to the Articles of Association during the Reporting Period. The amendments to the Articles of Association were considered and approved at the Company's extraordinary general meeting held on 24 November 2021. The amended Articles of Association has taken effect upon the approval at the aforementioned meeting. For details of the amendments, please refer to the circular of the Company dated 7 October 2021. The revised Articles of Association is available on both the Company's website and the Stock Exchange's website.

# Brief Biographies of Directors, Supervisors and Senior Management

## DIRECTORS

### Executive and Non-executive Directors

**Mr. Cui Liang (崔亮)**, aged 54, was appointed as the chairman of the Board and non-executive Director of the Company on 24 November 2021. He is mainly responsible for overseeing the management and strategic development of the Company.

Mr. Cui graduated from Shandong Normal University with a major in Chinese Language and Literature in 1993, holds a college degree and is a political engineer. He successively served as deputy manager of Third Harbor Company of Rizhao Port (日照港第三港務分公司) from August 2008 to November 2013; chief dispatcher of production business department of Rizhao Port Group from November 2013 to September 2015; manager of marketing branch of Rizhao Port Group from September 2015 to January 2017; head of the production business department of Rizhao Port Group from January 2017 to January 2020; member of the Party Committee and chairman of the Labor Union of Rizhao Port Group from January 2020 to August 2021 and chairman of the Board of Supervisors of Rizhao Port from July 2020 to August 2021.

Mr. Cui is currently a member of the Party Committee of Rizhao Port, a director of Rizhao Port; a director and the vice chairman of Rizhao Port Shangang Terminal Co., Ltd. (日照港山鋼碼頭有限公司); the chairman of Rizhao Port COSCO Shipping Logistics Co., Ltd. (日照港中遠海運物流有限公司); a director of Rizhao Port Container Development Co., Ltd. (日照港集裝箱發展有限公司) and the chairman of Shandong Port Changlong Shipping Co., Ltd. (山東港航昌隆海運有限公司).

**Mr. Zhang Feng (張峰)**, aged 46, was appointed as an executive Director and the authorised representative of the Company under Rule 3.05 of the Listing Rules on 20 May 2021. He is primarily responsible for overseeing strategic development, overall operation and management of the Company.

He served as the deputy chief of general office of Rizhao Port Group from April 2007 to November 2007. From November 2007 to May 2012, he was the chief duty supervisor of Rizhao Port Group. From May 2012 to December 2013, he served as the chief of the general office of Rizhao Port Group. From December 2013 to December 2016, he served as the captain of the general department of the Labor Union of Rizhao Port Group. From December 2016 to August 2019, he served as the deputy general manager, a member of discipline inspection committee and the chairman of the Labor Union of the Company. From August 2019 to April 2021, he served as a member of the Party Committee and deputy manager of Second Harbor Company of Rizhao Port (日照港第二港務分公司). From April 2021 to July 2021, he served as a member of the Party Committee and deputy general manager of the Company (in charge of overall operation). He served as the secretary to the Party Committee of the Company since July 2021 and the general manager of the Company since August 2021.

Mr. Zhang Feng was awarded the title of senior economist by the Senior Evaluation Committee of Shandong Provincial Economic Professional Services in March 2012. He was rated as an advanced individual in the province's transportation system for earthquake relief by the Shandong Provincial Department of Transportation and awarded a third-class merit in January 2009, and he was awarded the May 1st Labor Medal by the Rizhao City Federation of Trade Unions in March 2016. Mr. Zhang Feng successively obtained a bachelor's degree in business administration jointly issued by Dongbei University of Finance and Economics (東北財經大學) and China Central Radio and Television University (中央廣播電視大學), and diploma of on-the-job postgraduate in economic management from Shandong Provincial Party School.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Ooi Boon Hoe (黃文豪)**, aged 55, was appointed as a non-executive Director of the Company on 24 July 2015. He is mainly responsible for participating in formulating the Company's corporate and business strategies.

From May 1987 to August 2000, Mr. Ooi served as a naval officer of Singapore Navy. He served as director of operations at Portek Systems & Equipment Pte Ltd from July 2002 to March 2005 and as executive director at Portek International from March 2005 to August 2014.

Mr. Ooi has been the director and chief executive officer of Jurong Port since August 2014. In addition, he has been the director at various companies, including YMCA of Singapore since May 2013, Jurong Port Hainan Holding Pte Ltd since November 2014, Jurong Port Jakarta Holding Pte Ltd since November 2014, Jurong Port Marunda Pte Ltd since November 2014, SDIC Jurong Yangpu Port Co. Ltd. since July 2015 and Jurong Port Tank Terminals Pte Ltd since April 2017.

Mr. Ooi graduated from Britannia Royal Naval College with a certificate in naval general training and Science, mathematics and engineering science in July 1987. He obtained his bachelor's degree in science (economics) from University of London in August 1990. He graduated from Collège Interarmées de Défense in June 1997.

**Mr. Jiang Zidan (姜子旦)**, aged 58, was appointed as a non-executive Director of the Company on 7 January 2014. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

From June 1989 to April 1991, Mr. Jiang served as deputy director at repair center of communication station at Shijiu Port Authority. He worked at Rizhao Port Authority Communications Company (日照港務局通信公司) as chief of business department from April 1991 to April 1995 and deputy manager from April 1995 to June 1996. He worked at communication information center of Rizhao Port Authority as deputy director from June 1996 to May 2001 and director from May 2001 to June 2003. From June 2003 to August 2011, he served as manager at Communication Branch of Rizhao Port (日照港股份通信信息公司, previously known as Communication Branch of Rizhao Luqiao Port Industry Co., Ltd (日照陸橋港業股份有限公司通信信息公司)). From August 2011 to December 2013, he served as deputy general manager at the Third Harbor Branch of Rizhao Port. From December 2013 to June 2018, he served as director of operations management department at Rizhao Port Group.

Mr. Jiang was recognized as senior engineer by Human Resources and Social Security Department of Shandong Province in December 1996.

Mr. Jiang graduated from Dalian Maritime Transport College (大連海運學院) (currently known as Dalian Maritime University (大連海事大學)) with a bachelor's degree in radio technology in July 1983.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Pay Cher Wee (馬之偉)**, aged 51, was appointed as non-executive Director on 18 May 2020. He is mainly responsible for overseeing the management and strategic development of the Company.

Mr. Pay has a wealth of experience, both as a corporate chief financial officer and an entrepreneur. He started his career as an auditor with Deloitte Touche Tohmatsu between May 1994 and June 1997, and moved on to pursue the finance profession by acting as the chief financial officer of Venture Corporation Limited, a company listed on Mainboard of the Singapore Exchange Limited (stock code: V03) between June 1997 and September 2005. In 2004, Mr. Pay was voted "Best Chief Financial Officer" in Singapore by Asiamoney.

From October 2005 to September 2006, Mr. Pay acted as the chief financial officer of Raffles Medical Group Ltd, a company listed on Mainboard of the Singapore Exchange Limited (stock code: BSL.SI). From October 2006 to September 2009, he acted as the executive vice president for GKG Investment Holdings Pte Ltd. With a strong entrepreneurial streak, in 2009, Mr. Pay also co-founded Accion Capital Management Pte Ltd., a registered fund management company licensed by the Monetary Authority of Singapore, and acted as its executive director from November 2009 to December 2018. He had voluntarily served as a board member of Singapore Cancer Society from April 2009 to April 2015, of which from April 2010 to April 2014 he was the treasurer of the society.

Since March 2016, Mr. Pay has acted as a non-executive director, independent and non-executive chairman and audit committee chairman of GCCP Resources Limited, a company listed on the Catalist Board of the Singapore Exchange Limited (stock code: 41T.SI). He joined Jurong Port Pte Ltd in April 2019 and served as its chief financial officer from April 2019 to September 2021 and President of Business Units from October 2021. Mr. Pay has also been appointed as the Chairman of the board for Jurong Port Universal Terminal Pte Ltd (裕廊海港環宇倉儲私人有限公司) since February 2021.

Mr. Pay graduated from Nanyang Technological University, Singapore with a bachelor's degree in accountancy in 1994.

**Mr. Chen Lei (陳磊)**, aged 35, was appointed as a non-executive Director on 20 May 2021. He is mainly responsible for participating in formulating the Company's corporate and business strategies.

Mr. Chen has held various positions in Rizhao Port Group since 2012. Mr. Chen worked in the financial budget department of Rizhao Port Group as a financial supervisor from August 2012 to December 2016. He worked in asset finance department of Rizhao Port Group as a supervisor from December 2016 to February 2020. From February 2020 to April 2020, he concurrently served as the deputy minister of asset finance department and the financial statement and accounting management of Rizhao Port Group. He concurrently served as the deputy minister of asset finance department of Rizhao Port Group and the financial statement and accounting management second level supervisor from April 2020 to June 2020. He served as the deputy minister of the asset finance department of Rizhao Port Group from June 2020 to September 2020 and has served as the deputy minister of the financial management department of Rizhao Port Group since September 2020. Mr. Chen graduated from Chang'an University (長安大學) with a major in accounting in 2012, obtaining a master's degree in management.



## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

### Independent Non-executive Directors

**Mr. Zhang Zixue (張子學)**, aged 53, was appointed as an independent non-executive Director of the Company on 20 December 2018. Mr. Zhang is primarily responsible for supervising and providing independent judgment to the Board.

From May 1997 to September 2016, Mr. Zhang worked at the China Securities Regulatory Commission and held positions of director of supervision department of listed companies, full-time member of administrative penalty committee and deputy chief of the administrative punishment committee. He has been serving as a professor at Civil, Commercial and Economic Law School of China University of Political Science and Law (中國政法大學民商經濟法學院) since September 2016. He has been an independent director of Bank Of Communications Schroder Fund Management Co., Ltd. (交銀施羅德基金管理有限公司) since October 2018. He has also been the independent director of Zhejiang Juhua Co., Ltd (浙江巨化股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600160) since December 2019, Lian Chu Securities Co., Ltd. (聯儲證券有限責任公司) since December 2019 and TangShan Port Group Co., Ltd.\* (唐山港集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601000) since May 2020, and an independent director of Shenzhen Prince New Materials Co., Ltd. (深圳王子新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002735) from December 2018 to 21 February 2022.

Mr. Zhang obtained a bachelor's degree in law in July 1989 and a master's degree in litigation law in January 1993 from Renmin University of China (中國人民大學). He also received a master of law degree from Temple University in the U.S. in May 2002. He received his doctorate degree in corporate law and securities law from China University of Political Science and Law (中國政法大學) in June 2008. Mr. Zhang was granted the legal professional qualification certificate by the Ministry of Justice of People's Republic of China in June 1991.



## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Lee Man Tai (李文泰)**, aged 45, was appointed as an independent non-executive Director of the Company on 17 December 2019. Mr. Lee is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Lee has approximately 20 years of working experience in financial industry. From October 2006 to October 2012, he acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited (中國元邦房地產控股有限公司), a company listed on Mainboard of the Singapore Exchange Limited (stock code: CYBP.SP or BCD.SI). From October 2012 to May 2014, he acted as the chief financial officer and company secretary of China 33 Media Group Limited (中國三三傳媒集團有限公司), a company listed on GEM of the Stock Exchange (stock code: 8087). He acted as the chief financial officer and company secretary of Flying Financial Service Holdings Limited (匯聯金融服務控股有限公司), a company listed on GEM of the Stock Exchange (stock code: 8030) from July 2014 to April 2015 and from August 2014 to April 2015, respectively. He also acted as the financial controller and company secretary of Chanco International Group Limited (卓高國際集團有限公司) (now known as China International Development Corporation Limited (中聯發展控股集團有限公司)), a company listed on Main Board of the Stock Exchange (stock code: 264) from April 2015 to January 2016 and from April 2015 to September 2015, respectively. Since January 2016, Mr. Lee has been an independent non-executive director of China Energy Development Holdings Limited (中國能源開發控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 228). Since November 2016, he has been an independent non-executive director of Progressive Path Group Holdings Limited (進昇集團控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 1581). Since June 2021, he has served as an independent non-executive director of Yunhong Guixin Group Holdings Limited (運鴻硅鑫集團控股有限公司) (previously known as MEIGU Technology Holding Group Limited (美固科技控股集團有限公司)), a company listed on GEM of the Stock Exchange (stock code: 8349). Mr. Lee has also served as the chief financial officer and company secretary of Beaver Group (Holding) Company Limited (永勤集團控股有限公司), a company listed on GEM of the Stock Exchange (stock code: 8275), since June 2021 and August 2021, respectively.

Mr. Lee graduated from Lingnan University, Hong Kong in 2000 with a bachelor's degree in business administration and The Hong Kong Polytechnic University in 2010 with a master's degree in business administration. He was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 2012. He obtained the qualification as a licensed representative for advising on dealing in securities (type 1) and advising on corporate finance (type 6) promulgated by the Securities and Futures Commission in 2017 and became the person-in-charge in 2020.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Wu Xibin (吳西彬)**, aged 52, was appointed as an independent non-executive Director of the Company on 10 January 2019. Mr. Wu is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Wu served as securities lawyer at Henan Jinyan Law Firm (河南金研律師事務所) from August 1993 to October 2001 and Beijing Liwen Law Firm (北京李文律師事務所) from October 2001 to August 2006. From May 2006 to February 2013, he served as partner at Beijing Honor Base Law Firm (北京市衡基律師事務所). He has been the senior partner of Beijing Great Wall Law Firm (北京華城律師事務所) since June 2013.

He has been an independent director at NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002371) since October 2016. He has been an independent director of Huayuan Property Co., Ltd. (華遠地產股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600743)) since May 2021 and has served as an external non-executive director of China Siwei Surveying and Mapping Technology Co., Ltd. (中國四維測繪技術有限公司) (a holding subsidiary of China Aerospace Science and Technology Corporation) since December 2021.

Mr. Wu obtained his bachelor's degree in law at Zhongnan College of Political Science and Law (中南政法學院, later merged into Zhongnan University of Economics and Law (中南財經政法大學)) in July 1992. He received his master's degree in business administration at China Europe International Business School (中歐國際工商學院) in September 2012. Mr. Wu was granted the securities law business qualification certificate by the Ministry of Justice of People's Republic of China in October 1996.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

### SUPERVISORS

**Wang Wei (王偉)**, aged 37, was appointed as chairman of the Board of Supervisors and the employee Supervisor of the Company on 10 December 2018 and on 9 December 2018, respectively. Mr. Wang is mainly responsible for supervising the performance of duties by Directors and senior management. He worked at the Company as legal and contract manager from May 2011 to November 2015 and deputy office manager from November 2015 to January 2017. He has been deputy director of marketing center at the Company from January 2017 to March 2019, and has been the director of marketing center at the Company since March 2019.

Mr. Wang worked at Collection and Distribution Branch of Rizhao Port Logistics Co., Ltd. (日照港物流公司集發分公司) as tally clerk from May 2008 to June 2009 and station manager from June 2009 to August 2010. He served sales specialist at Bonded Logistics Center (保稅物流中心) of Rizhao Port Logistics Company from August 2010 to May 2011.

Mr. Wang obtained his bachelor's degree in law from the Second Northwest University for Nationalities (西北第二民族學院) (currently known as North Minzu University (北方民族大學)) in July 2007.

**Mr. Li Weiqing (李維慶)**, aged 55, was appointed as a Supervisor of the Company on 26 February 2018. Mr. Li is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Li worked at Lanshan Port Authority (嵐山港務局) and held positions of deputy chief of the accounting division from June 1989 to January 1993, chief of the accounting division from January 1993 to September 1997, chief accountant from September 1997 to July 2002, and deputy director from July 2002 to May 2003. He served as deputy manager at Rizhao Port Group Lanshan Port Company Limited (日照港集團嵐山港務有限公司) from May 2003 to September 2015 and from December 2016 to November 2017. He worked at Rizhao Port Group Lanshan Port Company Limited as deputy secretary of the party committee from September 2015 to December 2016. He has been the deputy director of audit department at Rizhao Port since December 2017. He has been the director of legal audit department at Rizhao Port since March 2019.

Mr. Li has been director at Rizhao Jinqiao Investment Co., Ltd. (日照金橋投資有限公司) since July 2003, Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. since March 2007.

Mr. Li was recognized as senior accountant by Accounting Qualification Senior Review Committee of Shandong Province in December 2003.

Mr. Li graduated from Shandong Economics College (山東經濟學院) (later merged into Shandong University of Finance and Economics (山東財經大學)) in statistics and accounting in June 1985.

**Mr. Tham Wai Kong (譚偉光)**, aged 48, was appointed as a Supervisor of the Company on 14 May 2014. Mr. Tham is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Tham served as senior lawyer at Allen & Gledhill LLP from 1999 to 2003. He served as Asian legal adviser at Tyco International Inc, Asia from 2003 to 2007 and Asian legal adviser at United Technologies Corporation from 2007 to 2012. He has been vice president of legal and company secretariat at Jurong Port Pte Ltd since February 2013.

Mr. Tham graduated from King's College London with a bachelor's degree of Laws (Honors) in 1997. Mr. Tham was admitted to the Singapore Bar in 1999.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

### SENIOR MANAGEMENT

**Mr. Zhang Feng (張峰)** is the general manager and also the executive Director of the Company. For Mr. Zhang's biographical details, please refer to the paragraph headed "Directors - Executive and Non-executive Directors" above.

**Mr. Tian Wenjun (田文軍)**, aged 53, was the deputy secretary of Party Committee, secretary of discipline committee and chairman of labour union, mainly responsible for discipline inspection and supervision, mass organizations work, equipment technology management, and information management.

Mr. Tian has extensive working experience in the port industry. From September 1992 to August 2000, he served as dispatcher, duty supervisor, and planner of the Second Company of Rizhao Port Authority (日照港務局二公司), and as the deputy captain of the second team of loading and unloading of the Second Company of Rizhao Port Authority from August 2000 to August 2002. From August 2002 to March 2005, he served as the engineer in charge of the gate fleet and ore team of the Second Company of Rizhao Port (日照港股份二公司), as the deputy captain of the liquid handling team and deputy chief of the safety department of Second Company of Rizhao Port from March 2005 to August 2008, as secretary and deputy captain of the warehouse team, secretary and deputy director of the business center of Second Company of Rizhao Port from August 2008 to December 2013, and served as deputy manager of Second Company of Rizhao Port from December 2013 to September 2015. From September 2015 to December 2016, he served as the deputy manager of the marketing branch of Rizhao Port Group. From December 2016 to March 2019, he served as the party committee member and deputy manager of the Second Harbor Company of Rizhao Port Co., Ltd. (日照港股份有限公司第二港務分公司). From March 2019 to March 2020, he served as a member of the party committee, deputy manager, and chairman of the labor union of Second Company of Rizhao Port. From March 2020 to December 2020, he served as a member of the party committee, deputy manager and chairman of the labor union of the Second Company of Shandong Port Rizhao Port (山東港口日照港股份二公司).

Mr. Tian graduated from Shandong Agricultural University with a bachelor's degree in engineering in July 1992. In January 2005, he obtained a master's degree in logistics engineering from Wuhan University of Technology.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Yang Juntian (楊君田)**, aged 51, was appointed as the deputy general manager of the Company on 12 August 2021, and he was mainly responsible for safety management, environmental protection, production organization, railway and centralized transportation, port coordination, legal affairs, etc. He is a senior economist and has obtained a qualification certificate as a lawyer. Mr. Yang graduated from the People's Police School of the Ministry of Communications, majoring in shipping and police in July 1989, and later obtained a university degree in law from East China University of Political Science and Law.

Mr. Yang Juntian served as a member of the Second Police Station of Rizhao Port Public Security Bureau from July 1989 to March 1995, a member of the Public Security Section of Rizhao Port Public Security Bureau from March 1995 to January 2000, a legal adviser of the legal affairs department of Rizhao Port Authority from January 2000 to May 2003, a legal adviser of the legal affairs section of the corporate development department of Rizhao Port Group from May 2003 to August 2004, the deputy chief of the legal affairs section of the corporate development department of Rizhao Port Group from August 2004 to November 2005, the chief of the legal affairs section of the corporate development department of Rizhao Port Group from November 2005 to September 2011, the deputy director of the operation and management department of Rizhao Port Group from September 2011 to December 2016, an executive director of Shandong Rizhao Coking Power Company (山東日照焦電公司) (middle-level remuneration of Rizhao Port Group) from November 2015 to November 2017, the deputy director of the corporate development department of Rizhao Port Group from November 2017 to June 2018, a member of the Party Committee, deputy manager and chairman of the labor union of Third Company of Rizhao Port (日照港股份三公司) from June 2018 to March 2020, a member of the Party Committee, deputy manager and chairman of the labor union (senior executive level of the Shandong Port Group) of Third Company of Rizhao Port (日照港股份三公司) from March 2020 to April 2021, a member of the Party Committee, deputy manager and chairman of the labor union of First Company of Rizhao Port (日照港股份一公司) from April 2021 to June 2021, and a member of the Party Committee, deputy manager and chairman of the labor union (senior executive level of the Shandong Port Group) of First Company of Rizhao Port (日照港股份一公司) from June 2021 to July 2021.

**Mr. Ding Dong (丁東)**, aged 45, was appointed as financial director of the Company on 24 September 2021. He is mainly responsible for financial and investment management.

Mr. Ding successively worked for Rizhao Port First Harbor Company (日照港第一港務分公司) from November 1997 to June 1999, Rizhao Port Industry Corporation (日照港口實業總公司) from June 1999 to April 2002, planning and finance division of Rizhao Port Authority from April 2002 to June 2003 and finance and budget department of Rizhao Port Group from June 2003 to February 2008. He served as chief of the agency affairs division of finance and budget department at Rizhao Port Group from February 2008 to June 2010. He served as finance manager at Rizhao Shihua Crude Oil Terminal Co., Ltd. (日照實華原油碼頭有限公司) from June 2010 to March 2017. He served as director of planning and finance office at the Second Harbor Branch of Rizhao Port (日照港集團股份第二港務分公司) from March 2017 to October 2017. He served as deputy director of asset and finance department at Rizhao Port Group from October 2017 to December 2018. He served as financial director of the Company from December 2018 to December 2019, and financial director of Rizhao Port Co., Ltd. from December 2019 to September 2021.

Mr. Ding graduated from Qingdao University (青島大學) in accounting in July 1997, and received his bachelor's degree of economics. He obtained his master's degree in business administration from Huazhong University of Science and Technology (華中科技大學) in March 2016.

## Brief Biographies of Directors, Supervisors and Senior Management (Continued)

**Mr. Zheng Shiqiang (鄭世強)**, aged 51, is the member of the Party Committee and secretary of the Board of the Company. He is mainly responsible for the Board related matters, information disclosure and liaison with the securities regulatory authority. He worked at the Company as marketing manager from May 2011 to March 2013. He has been director of general office of the Company from May 2013 to March 2019. He served as the maintenance team leader of the Company from March 2019 to July 2019, and has served as the director of the securities office of the Company from August 2019 to October 2021.

Prior to joining our Company, Mr. Zheng worked as accountant at Rizhao Port Authority Railway Transportation Company from September 1992 to February 1993 and at planning and finance division of Rizhao Port Authority from February 1993 to March 1998. He served as financial manager at Port Service Center of Rizhao Port Industry Corporation (日照港口實業總公司港口服務中心) from March 1998 to June 1999. He served as the chief of production preparation group and executive finance team of Rizhao Port Wood and Chip Terminal (日照港木片碼頭) from June 1999 to March 2001. He worked at the Third Harbor Company of Rizhao Port Authority as deputy office manager from January 2001 to June 2001 and office manager from June 2001 to April 2003. He worked at Rizhao Port Container as officer manager from April 2003 to December 2006. He served as office manager at the Third Harbor Branch of Rizhao Port Group from December 2006 to April 2011.

Mr. Zheng was recognized as accountant in 1998 and senior economist by Human Resources and Social Security Department of Shandong Province in 2006.

Mr. Zheng obtained his bachelor's degree in finance and accounting from China University of Mining and Technology (中國礦業大學) in July 1992. After graduation, he participated in a Postgraduate training course of Shandong University on industrial economics.

# Directors' Report

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

## PRINCIPAL BUSINESS

As at the date of this annual report, the Company is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services. The primary cargo types we handled are soybeans, woodchips, dried tapioca, and other small-volume cargo types including maize and wheat. There was no significant change in the nature of the Company's major business during the Reporting Period.

During the Reporting period, the Company had no subsidiary. Details of the Company operating results for the Reporting Period by business segments are set out in Note 5 to the financial statements of this annual report.

## RESULTS

The results of the Company for the Reporting Period are set out in the statement of profit or loss and other comprehensive income on page 74 of this annual report.

## FINANCIAL HIGHLIGHTS

Financial highlights in respect of the Company's results, assets and liabilities for the years of 2020 and 2021 are set out on page 9 of this annual report. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the Reporting Period are set out in Note 17 to the financial statements.

## FINAL DIVIDEND, WITHHOLDING OF INCOME TAX AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of RMB0.024 per share (tax inclusive) for the year ended 31 December 2021 to all shareholders whose names appear on the register of members of the Company on 27 May 2022, subject to the consideration and approval of the same by shareholders at the forthcoming AGM to be held on 18 May 2022. The final dividend is expected to be paid on or before 29 July 2022.

For a non-resident enterprise shareholder of the Company's H shares (i.e., any shareholder holding the Company's H shares in the name of a non-individual shareholder, including but not limited to any holders of H shares registered in the name of HKSCC Nominees Limited, or any other nominee or trustee, or any other organization or group), 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.



Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020)《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號), the foreign individual shareholders who hold the H Shares of the Company are exempted from individual income tax on dividends and bonus received from the Company (as foreign-invested enterprises in the PRC). If otherwise stipulated by other relevant tax laws, regulations and tax treaties, the Company will withhold and pay the individual income tax for the dividends and bonus at the rate and with the procedures in accordance with relevant provisions.

In order to determine the holders of H shares who will be entitled to the proposed final dividends of H shares, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive), during which period no transfer of H shares will be registered. The holders of H shares whose names appear on the register of members of the Company on Friday, 27 May 2022 are entitled to the proposed final dividend. In order for the holders of H shares to qualify for receiving the proposed final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 23 May 2022.

The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

### **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The AGM of the Company will be held on Wednesday, 18 May 2022 and the notice convening such meeting will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

In order to determine the holders of H shares who will be entitled to attend the AGM, the register of members of the Company will be closed from Thursday, 12 May 2022 to Wednesday, 18 May 2022 (both days inclusive), during which period no transfer of H shares will be registered. In order for the holders of H shares to qualify for attending the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Wednesday, 11 May 2022.

### **BUSINESS REVIEW**

A review of the Company's business, a discussion and analysis of the Company's performance during the year, the material underlying factors of its results and financial position, certain important events occurred since the end of the Reporting Period and the future development of the Company's business have been set out in the section headed "Management Discussion and Analysis" of this annual report.



## Directors' Report (Continued)

### Risks and Uncertainties

The Company's business, financial position, operation results and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Company's businesses. The risk factors set out below are not exhaustive or comprehensive, and there may be other risks which are not known to the Company or which may not be material now but would become material in the future.

#### (a) Risks of economic volatility

The Company's operation results may be affected by macroeconomic factors such as the economic growth rate and level of trade development which may impact cargo throughput at the ports in the PRC.

#### (b) Risks relating to changes in the PRC policies

The future development of the Company's business will become uncertain due to the change in regulatory requirements, governmental policies, development plans and relevant laws and regulations in the PRC.

#### (c) Foreign exchange risk

Details of the Company's foreign exchange risk management are set out in the section headed "Management Discussion and Analysis" of this annual report.

### Environmental Policies and Performance

The Company shall publish a separate 2021 Environmental, Social and Governance Report in accordance with the requirements of Appendix 27 of the Listing Rules within five months after the end of the Reporting Period, and the summary of which is as follows.

The Company has strictly complied with applicable environmental laws and regulations, including Law of Environmental Protection of the PRC, Law of Marine Protection of the PRC, Law of the PRC on the Prevention and Control of Air Pollution, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the PRC on Conserving Energy and Law of the PRC on the Promotion of Cleaner Production, and the Company has deeply combined clean production, environmental protection and the Company's development to create an intelligent green port in pursuit of sustainable development.

The Company formulated and issued institutional measures, including Main Points of Environmental Protection Work in 2021, Clean Production Assessment and Management Measures, One Policy for One Area Grid Management Standard, made detailed regulations and strict management on daily environmental protection, factory and surrounding road environment, construction sites, and continuously improved the environmental quality of the port area. Meanwhile, in view of the occasional heavy pollution weather, according to the requirements of Rizhao Ecological Environment Bureau, the Company timely adjusted the production organization, machinery equipment, road cleaning and other aspects to actively cooperate with the national environmental protection work.

The Company strives to improve the efficiency of resources utilization in all aspects of production and operation, and achieves the goal of resources conservation through continuous improvement and innovation of technical means and management model. The Company establishes a pollutant emission control system, actively carries out specific rectification work, reduces the impact of emissions on the environment, and ensures the compliance of the treatment of emissions.

The Company continues to strengthen dust control to prevent dust pollution at various stages such as ship unloading, loading and transportation through technological and skill improvement. At the same time, the Company actively improves the environment of the port area. In 2021, the Company formulated and implemented the Green Port Construction 2021 Implementation Plan (Task No. 1) to greatly improve the environment as a whole.

For more details on the environmental matters of the Company, please refer to the “2021 Environmental, Social and Governance Report of Rizhao Port Jurong Co., Ltd.” published by the Company separately after the publication of this annual report, which is available on the Company’s website and the Stock Exchange’s website.

### **Compliance with the Relevant Laws and Regulations**

To the best knowledge and information of the Company, the Company has complied with the relevant laws, regulations and other applicable requirements that have a significant impact on the Company during the Reporting Period.

### **Key Relationship with Employees, Customers and Suppliers**

#### **(a) Employees**

As at 31 December 2021, the Company had a total of 328 employees. Details of our employees and remuneration policies are set out in the section headed “Management Discussion and Analysis” of this annual report.

#### **(b) Customers**

The Company is committed to creating values for our customers by providing quality services to meet their needs and upholding service integrity. Through evaluation and analysis of industry background, scale of operation and credibility of the customers, we have established long-term relationships with our customers by making efforts to offer our customers personalised and refined services.

#### **(c) Suppliers**

The Company conducts supplier assessment on a regular basis to evaluate and analyse their operation qualification, product quality, business integrity, industry background and historical performance for the purpose of ensuring our normal operation, quality of performance while minimising costs. We have established a long-term and trusted cooperation relationship with our suppliers.

## Directors' Report (Continued)

### MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, revenue generated from the Company's five largest customers accounted for 40.58% of the Company's total revenue and our single largest customer accounted for 10.9% of the Company's total revenue.

During the Reporting Period, the Company's five largest suppliers are the controlling shareholders of the Company and their subsidiaries as well as other purchasers and the procurement therefrom accounted for 31.57% of the Company's total purchases. For the same period, procurement from our single largest supplier accounted for 12.42% of the Company's total purchases.

During the Reporting Period, save as disclosed above, to the best knowledge of the Directors, none of the Directors, their close associates or Shareholders which, to the best knowledge of the Directors, hold more than 5% of the Company's issued share capital, had any interest in the Company's five largest customers or suppliers.

### USE OF NET PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange on 19 June 2019 (the "Listing Date") by way of a global offering, under which a total of 460,000,000 H shares (including H shares issued upon full exercise of the over-allotment option) were issued at an offer price HK\$1.50 per share, raising total net proceeds of RMB546.414 million after deducting professional fees, underwriting commissions and other related listing expenses (the "IPO Proceeds").

As stated in the prospectus of the Company dated 31 May 2019 (the "Prospectus"), the Company had plans to use the IPO Proceeds. As at 31 December 2021, the Company had used approximately RMB382.49 million for the acquisition of the West-6 berth; approximately RMB7.615 million for the procurement of equipment and machinery for the West-6 berth; and approximately RMB54.641 million for working capital and general corporate purposes.

|   | Utilised<br>amount as at<br>31 December<br>2020<br>RMB'000,000 | Unutilised<br>amount as at<br>31 December<br>2020<br>RMB'000,000 | Utilised<br>amount during<br>the Reporting<br>Period<br>RMB'000,000 | Unutilised<br>amount as at<br>31 December<br>2021<br>RMB'000,000 | Expected timeline<br>for utilising the<br>remaining IPO<br>Proceeds <sup>(Note)</sup> |
|---|--|--|---|--|---|
| Acquisition of the West-6 berth           | 382.49   | 0  | 0   | 0  |   |
| Procurement of equipment and machinery    | 7.615  | 101.667  | 0   | 101.667  | Expected to be fully utilized on or before 31 December 2023                           |
| Working capital and general corporate use | 54.641   | 0  | 0   | 0  |   |
| <b>Total</b>                              | <b>444.746</b>   | <b>101.667</b>   | <b>0</b>  | <b>101.667</b>   |   |

*Note:* The Company will gradually carry out reconstruction project for the West-6 berth from 2022 and expects that the West-6 berth will be initially equipped with the function of stevedoring grains in 2022, subject to the actual COVID-19 pandemic situation and market development.

The Company does not have any intention to change the purposes of the IPO Proceeds as set out in the Prospectus, and will gradually utilise the residual amount of the IPO Proceeds in accordance with the intended purposes.

## NON-COMPETITION UNDERTAKINGS

On 16 November 2018 and 24 May 2019, Rizhao Port and Rizhao Port Group provided non-competition undertakings (the “**Non-competition Undertakings**”) to the Company, respectively. Details of the Non-competition Undertakings are set out in the section “Relationship with Controlling Shareholders – Non-competition Undertakings” of the Prospectus.

The independent non-executive Directors have reviewed the compliance of the relevant undertakings for the year ended 31 December 2021 and have confirmed that, to the best of their knowledge, Rizhao Port and Rizhao Port Group had not been in breach of the Non-competition Undertakings during the year ended 31 December 2021.

## RESERVES

Details of movements in reserves of the Company during the Reporting Period are set out in the statement of changes in equity on pages 79 to 80 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company’s reserves available for distribution were RMB404.34 million, which was calculated in accordance with the generally accepted accounting principles of the PRC.

## DONATIONS

During the Reporting Period, no charitable and other donations were made by the Company.

## SHARE CAPITAL

The share capital structure of the Company as at 31 December 2021 is set out as follows:

| Class of shares | Number of shares | Proportion<br>% |
|-----------------|------------------|-----------------|
| Domestic Shares | 840,000,000      | 50.60           |
| H Shares        | 820,000,000      | 49.40           |
| Total           | 1,660,000,000    | 100.00          |

Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 31 to the financial statements.

## Directors' Report (Continued)

### DEBENTURES

During the Reporting Period, the Company did not issue any debentures.

### PRE-EMPTIVE RIGHTS

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

### SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company did not purchase, sell or redeem any of the Company's listed securities.

### DIRECTORS AND SUPERVISORS

During the Reporting Period and as at the date of this annual report, the Directors and the Supervisors of the Company include:

#### Executive Directors

Mr. Zhang Feng (*appointed on 20 May 2021*)  
Mr. He Zhaodi (*resigned on 20 May 2021*)

#### Non-executive Directors

Mr. Cui Liang (*appointed on 24 November 2021*)  
Mr. Wang Yufu (*retired on 24 November 2021*)  
Mr. Ooi Boon Hoe  
Mr. Jiang Zidan  
Mr. Pay Cher Wee  
Mr. Chen Lei (*appointed on 20 May 2021*)  
Mr. Shi Ruxin (*resigned on 26 January 2021*)

#### Independent Non-executive Directors

Mr. Zhang Zixue  
Mr. Wu Xibin  
Mr. Lee Man Tai

#### Supervisors

Mr. Wang Wei  
Mr. Li Weiqing  
Mr. Tham Wai Kong

According to the Articles of Association, the Directors and the Supervisors are appointed for a term of three years and subject to re-election upon the expiry of their terms.

### RE-ELECTION OF DIRECTORS AND SUPERVISORS

The term of office of the previous session of the Board has expired on 10 December 2021. At the extraordinary general meeting of the Company held on 24 November 2021 (the “**EGM**”), (i) Mr. Zhang Feng was re-elected as an executive Director; (ii) each of Mr. Pay Cher Wee, Mr. Ooi Boon Hoe, Mr. Jiang Zidan and Mr. Chen Lei was re-elected as a non-executive Director; and (iii) each of Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin was re-elected as an independent non-executive Director. Mr. Wang Yufu did not offer himself for re-election at the EGM due to other work commitments and upon conclusion of the EGM, he has retired from his position as a non-executive Director and ceased to be the chairman of the Board and the chairman of the Nomination Committee.

The term of office of the previous session of the Supervisory Committee has also expired on 10 December 2021. At the EGM, each of Mr. Li Weiqing and Mr. Tham Wai Kong was re-elected as a shareholder representative Supervisor. Mr. Wang Wei was re-elected democratically as an employee representative Supervisor at the employee representatives' meeting of the Company held on 24 September 2021, which has taken effect from the conclusion of the EGM.

For more details, please refer to the Company's announcements dated 26 September 2021 and 24 November 2021 and the Company's circular dated 7 October 2021.

### CHANGES IN INFORMATION RELATING TO DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

| Name of Director | Details of changes   |
|------------------|--|
| Mr. Shi Ruxin    | <ul style="list-style-type: none"> <li>resigned as a non-executive Director and ceased to serve as a member of the Audit Committee with effect from 26 January 2021</li> </ul>   |
| Mr. Jiang Zidan  | <ul style="list-style-type: none"> <li>appointed as a member of the Audit Committee with effect from 22 April 2021</li> <li>ceased to serve as a member of the Audit Committee with effect from 20 May 2021</li> </ul>   |
| Mr. He Zhaodi    | <ul style="list-style-type: none"> <li>resigned as the general manager of the Company with effect from 28 April 2021</li> <li>resigned as an executive Director and the authorised representative of the Company under Rule 3.05 of the Listing Rules (the “<b>Authorised Representative</b>”), both with effect from 20 May 2021</li> </ul> |

## Directors' Report (Continued)

| Name of Director | Details of changes  |
|------------------|---|
| Mr. Zhang Feng   | <ul style="list-style-type: none"><li>appointed as the deputy general manager of the Company with effect from 28 April 2021</li><li>appointed as an executive Director and the Authorised Representative, both with effect from 20 May 2021</li><li>ceased to serve as the deputy general manager of the Company, and appointed as the general manager of the Company, both with effect from 13 August 2021</li></ul> |
| Mr. Chen Lei     | <ul style="list-style-type: none"><li>appointed as a non-executive Director and member of the Audit Committee, both with effect from 20 May 2021</li></ul>  |
| Mr. Wu Xibin     | <ul style="list-style-type: none"><li>appointed as an external non-executive director of China Siwei Surveying and Mapping Technology Co., Ltd. (中國四維測繪技術有限公司) (a holding subsidiary of China Aerospace Science and Technology Corporation) since December 2021</li></ul>   |
| Ms. Feng Hui     | <ul style="list-style-type: none"><li>resigned as the financial director of the Company with effect from 2 September 2021</li></ul>   |
| Mr. Ding Dong    | <ul style="list-style-type: none"><li>appointed as the financial director of the Company with effect from 24 September 2021</li></ul>   |
| Mr. Wang Yufu    | <ul style="list-style-type: none"><li>retired from his position as a non-executive Director, and ceased to be the chairman of the Board and the chairman of the Nomination Committee, all with effect from 24 November 2021</li></ul>   |
| Mr. Cui Liang    | <ul style="list-style-type: none"><li>appointed as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee, all with effect from 24 November 2021</li></ul>  |

Save as disclosed in this annual report, there was no change in any information in relation to the Directors, the Supervisors and the chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Biographical details of the current Directors, Supervisors and senior management of the Company are set out on pages 36 to 45 of this annual report.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

The Company has entered into service contracts with each of the Directors and Supervisor for a term of not more than three years effected until the expiry of the term of office of the current session of the Board or the Supervisory Committee, which shall be terminated pursuant to relevant terms of the respective contracts.

None of the Directors and the Supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals during the Reporting Period are set out in Notes 11 and 12 to the financial statements.

### **INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE**

Save for the service contract, none of the Directors or Supervisors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Company to which the Company, its parent company or any of its subsidiaries or fellow subsidiaries was a party, subsisting during or at the end of the Reporting Period.

### **CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS**

Save as disclosed in the paragraph headed "Connected Transactions – Continuing Connected Transactions" in this annual report, there were no contract of significance between the Company and a controlling shareholder of the Company or any of its subsidiaries or for the provision of services to the Company by a controlling shareholder of the Company or any of its subsidiaries subsisting during or at the end of the Reporting Period.





## Directors' Report (Continued)

### **INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS**

None of the Directors and the Supervisors holds any interest in business which directly or indirectly competes or is likely to compete, either directly or indirectly, with the business of the Company.

### **RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, its parent company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors, the Supervisors and chief executive of the Company, or their respective spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, the Supervisors and chief executive of the Company, or their respective spouse or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 December 2021, to the best knowledge of the Directors, none of the Directors, the Supervisors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, to the best knowledge of the Directors, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name of Shareholder  | Capacity/Nature of Interest        | Number of shares interested | Class of shares | Long/short position | Percentage of shareholding to the relevant class of shares <sup>(3)</sup><br>% | Percentage to total issued share capital <sup>(4)</sup><br>% |
|--|------------------------------------|-----------------------------|-----------------|---------------------|--|--|
| Shandong Port Group <sup>(1)</sup>                         | Interest in controlled corporation | 840,000,000                 | Domestic Shares | Long position       | 100  | 50.60  |
| Rizhao Port Group <sup>(1)</sup>                           | Interest in controlled corporation | 840,000,000                 | Domestic Shares | Long position       | 100  | 50.60  |
| Rizhao Port  | Beneficial owner                   | 840,000,000                 | Domestic Shares | Long position       | 100  | 50.60  |
| Jurong Port Pte Ltd<br>("Jurong Port") <sup>(2)</sup>      | Interest in controlled corporation | 360,000,000                 | H Shares        | Long position       | 43.90  | 21.69  |
| Jurong Port Rizhao Holding Pte Ltd ("Jurong Port Holding") | Beneficial owner                   | 360,000,000                 | H Shares        | Long position       | 43.90  | 21.69  |
| Orient Fund Management Co., Ltd. Trustee                   |                                    | 58,520,000                  | H Shares        | Long position       | 7.14   | 3.52   |

(1) Shandong Port Group directly held 100% of the equity interests of Rizhao Port Group, which was in turn the controlling shareholder of Rizhao Port and directly held 43.6% of the equity interests of Rizhao Port, and indirectly held 0.88% of the equity interests of Rizhao Port through its wholly-owned subsidiary, Rizhao Port Group Lanshan Port Company Limited (日照港集團嵐山港務有限公司), as at 31 December 2021. Therefore, each of Shandong Port Group and Rizhao Port Group is deemed to be interested in the 840,000,000 Domestic Shares held by Rizhao Port.

(2) Jurong Port directly held 100% of the equity interest of Jurong Port Holding as at 31 December 2021. Therefore, Jurong Port is deemed to be interested in the 360,000,000 H Shares held by Jurong Port Holding.

(3) The calculation is based on the percentage of shareholding in the Domestic Shares or H Shares (as the case may be) as at 31 December 2021.

(4) The calculation is based on the total number of 1,660,000,000 Shares in issue comprising 840,000,000 Domestic Shares and 820,000,000 H Shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## Directors' Report (Continued)

### MANAGEMENT CONTRACTS

During the Reporting Period, no contract in respect of the management or administration of the entire business or any substantial part of business of the Company was entered into or maintained by the Company.

### EQUITY-LINKED AGREEMENTS

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

### PERMITTED INDEMNITY PROVISION

During the Reporting Period, the Company has purchased liability insurance valid for the Reporting Period for Directors, Supervisors and senior management of the Company.

### CONNECTED TRANSACTIONS

During the Reporting Period, the Company entered into the following connected transactions as defined in Chapter 14A of the Listing Rules required to be disclosed in this annual report.

#### Continuing Connected Transactions

A summary of the continuing connected transactions for the Reporting Period is set out as follows:

| <b>Continuing connected transactions</b>                             | <b>Connected persons involved</b>                | <b>Annual cap permitted under the Listing Rules</b><br><i>RMB</i> | <b>Transaction amount in 2021</b><br><i>RMB</i> |
|--|--|---|---|
| Property lease (sale) framework agreement                            | Rizhao Port Group                                | 27,760,000  | 16,024,000                                      |
| Port-related service (sale) framework agreement                      | Rizhao Port Group                                | 24,000,000  | 8,446,000                                       |
| Property lease (procurement) framework agreement                     | Rizhao Port Group                                | 69,730,000  | 48,784,000                                      |
| General service (procurement) framework agreement                    | Rizhao Port Group                                | 161,510,000   | 125,928,000                                     |
| Financial service framework agreement                                | RPG Finance                                      |   |   |
| – Maximum daily balance of deposits                                  |  | 180,000,000   | 176,400,000                                     |
| – Interest income  |  | 3,000,000   | 2,734,000                                       |
| Operation Outsourcing Agreement 2021                                 | Rizhao Port Lanshan                              | 25,000,000  | 21,058,000                                      |
| Shandong Port International Trade Rizhao Company Framework Agreement | Shandong Port International Trade Rizhao Company | 28,000,000  | 13,363,000                                      |

- (a) On 24 May 2019, the Company entered into the following framework agreements with Rizhao Port Group (for itself and on behalf of its subsidiaries). On 23 November 2020, the Company entered into the port-related service (sale) supplemental framework agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries). The Company also entered into the first supplemental agreement to the property lease (sale) framework agreement on 23 November 2020, the second supplemental agreement to the property lease (sale) framework agreement on 23 February 2021 (the **"Property Lease Second Supplemental Agreement"**) and the third supplemental agreement to the property lease (sale) framework agreement on 19 April 2021 (collectively, the **"Property Lease Supplemental Agreements"**) with Rizhao Port Group (for itself and on behalf of its subsidiaries). Rizhao Port Group is the controlling shareholder of the Company, and is hence a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the section headed "Connected Transactions" in the Prospectus, the Company's announcements dated 23 November 2020, 23 February 2021 and 19 April 2021 and the Company's circular dated 23 April 2021.

### **Property lease (sale) framework agreement (as amended by the Property Lease Supplemental Agreements)**

**Nature of the transaction:** Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth, West-6 berth and temporarily leased berths and other relevant properties from time to time

**Term:** From 19 June 2019 to 31 December 2021

**Pricing policy:** The rent in respect of the lease of the West-1 berth, West-2 berth and temporarily leased berths was determined by both parties through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) Jones Lang LaSalle Corporate Appraisal and Advisory Limited's opinion on the fairness of the rent as at the execution period in 2019; and (d) depreciation costs of such assets plus an expected rate of return.

The rent in respect of the lease of the West-6 berth was calculated by both parties through arm's length negotiation with reference to the depreciation of the berth, land rent, interest on loan and the estimated current reasonable profit. The annual rent of the West-6 berth is estimated to be approximately RMB16.13 million. The actual rent commencing from the effective date of the Property Lease Second Supplemental Agreement to the end of 2021 is estimated to be approximately RMB14.5 million.

## Directors' Report (Continued)

### **Port-related service (sale) framework agreement (as amended by the port-related service (sale) supplemental framework agreement)**

**Nature of the transaction:** The Company agreed to provide stevedoring services and cargo supervision services to Rizhao Port Group and other port-related services the Company may provide to Rizhao Port Group in the future from time to time

**Term:** Three years commencing from the Listing Date

**Pricing policy:** The service fee rates in relation to the port-related services were determined through arm's length negotiation with reference to (i) the cost of the relevant services; and (ii) the comparable service fee rate charged by the Company for such services provided for independent third parties.

### **Property lease (procurement) framework agreement**

**Nature of the transaction:** The Company agreed to lease from Rizhao Port Group certain assets which include land, warehouses, complex building and berths, and other properties the Company may lease from Rizhao Port Group in the future from time to time

**Term:** Three years commencing from the Listing Date

**Pricing policy:** The rent is determined through arm's length negotiation with reference to (i) area leased, geographic location and profile of the surrounding area; (ii) historical rent; (iii) independent property valuer's opinion on the fairness of the rent; and (iv) the rent charged by independent third parties for similar offices nearby (applicable to the complex building only). In addition, a certain percentage of the profit from the West-18 berth will be paid to Rizhao Port Group as part of the rental fee for the land occupied by and behind the West-18 berth.

### General service (procurement) framework agreement

**Nature of the transaction:** The Company agreed to procure from Rizhao Port Group services including (i) port-related services; (ii) railway services; (iii) security services; (iv) maintenance services; (v) port-related technology services; (vi) office and logistics services; and (vii) utilities and consumables, and other services the Company may procure from Rizhao Port Group in the future from time to time

**Term:** Three years commencing from the Listing Date

**Pricing policy:**

- (i) For port-related services, the fee rates for logistics (other than container logistics), labor contracting and port cleaning services are determined with reference to (1) the comparable service fee rates charged by independent third parties and (2) the workload and the suppliers are selected through public bidding processes. The fee rates for ship traction and container logistics services are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the cost of the relevant services; and (3) the fee rates charged for similar services by independent third parties (applicable to container logistics services only).
- (ii) For railway services, the fee rates are determined through arm's length negotiation with reference to (1) relevant regulations published by the Ministry of Transport; (2) historical fee rates and (3) transportation distances.
- (iii) For security services, the fee rates for the port facilities security services are determined by the Ministry of Transport and the fee rates for the security inspection services are determined through arm's length negotiation with reference to (1) historical fee rates and (2) the cost of the relevant services.
- (iv) For maintenance services, the fee rates are determined with reference to (1) the comparable service fee rates charged by independent third parties, (2) the workload, (3) the construction period, and (4) the other cost of such services and the suppliers are selected through public bidding processes.
- (v) For port-related technology services, the fee rates are determined through arm's length negotiation with reference to (1) historical fee rates and (2) the cost of the relevant services.

## Directors' Report (Continued)

- (vi) For office and logistics services, the fee rates for printing, catering, accommodation, meeting, employee benefits, garbage removal services are determined with reference to the comparable service fee rates charged by independent third parties and the suppliers are selected through public bidding processes. The fee rates for telephone, networks and protective gears supplies services are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the cost of the relevant services; and (3) the fee rates charged for similar services by independent third parties.
  - (vii) For utilities and consumables, the fee rates are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the market price of the utilities and consumables.
- (b) On 27 March 2020, the Company entered into the 2020–2022 financial services framework agreement with RPG Finance. On 1 April 2021, the Company entered into the financial service supplemental framework agreement with RPG Finance to revise the annual caps for the transactions of the provision of deposit and settlement services. RPG Finance is respectively held as to 60% and 40% by Rizhao Port Group and Rizhao Port, each of which is a controlling shareholder of the Company. Hence, RPG Finance is an associate of each of Rizhao Port Group and Rizhao Port and is a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the announcements of the Company dated 27 March 2020 and 1 April 2021 and the circulars of the Company dated 15 April 2020 and 13 July 2021.

### **Financial service framework agreement (as amended by the financial service supplemental framework agreement)**

|                                   |   |
|-----------------------------------|---|
| <b>Nature of the transaction:</b> | RPG Finance agreed to provide deposit and settlement services to the Company  |
| <b>Term:</b>                      | From the date of the Company's 2019 annual general meeting held on 18 May 2020 to 31 December 2022  |
| <b>Pricing policy:</b>            | The deposit interest rates are determined in accordance with the rates published by the People's Bank of China and are in line with the market rates provided by independent commercial banks. The interest rate of other financial services related to or similar to the deposit service shall not be lower than the interest rates offered by independent commercial banks for comparable financial services. The settlement service provided by RPG Finance is free of charge. |

- (c) On 23 February 2021, the Company entered into the Operation Outsourcing Agreement 2021 with Rizhao Port Lanshan. Rizhao Port Lanshan is a branch of Rizhao Port, a controlling shareholder of the Company, and is hence a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the Company's announcement dated 23 February 2021.

### Operation Outsourcing Agreement 2021

**Nature of the transaction:** The Company may from time to time engage Rizhao Port Lanshan to provide stevedoring, storage and delivery services of grains cargo, in Lanshan port area

**Term:** From 23 February 2021 to 31 December 2021

**Pricing policy:** The fee charged for the services provided by Rizhao Port Lanshan is determined through arm's length negotiations by the parties and based on normal commercial terms with reference to (i) qualification of service providers in stevedoring of grain cargoes in Lanshan port area; (ii) the prevailing market price for the provision of similar types of services in the same or nearby service area by independent third parties; (iii) the actual services to be provided, the volume of cargoes to be handled and the duration of storage of cargoes; and (iv) the historical prices offered to independent third party service providers.

- (1) For the provision of stevedoring and delivery services of grain cargoes, the fee charged is determined through the evaluation conducted by an independent third party with reference to the operation process of the same or similar types of services in the port, the complexity of storage of the cargoes, the cost of providing such services, the fees charged within the industry, as well as the historical prices offered to independent third party service providers. The Company will also take into account that Rizhao Port Lanshan is the only port operator with the qualification of stevedoring grain cargoes approved by the governmental authority in the Lanshan port area.
- (2) For the provision of storage services of grain cargoes, the fee charged is determined with reference to the storage process, duration and quality requirements for such services, the storage prices charged by Rizhao Port Lanshan to other customers, the fee charged within the industry, as well as prices comparison of fees charged by the Company to other customers in respect of such services.

Before entering into any agreements pursuant to the Operation Outsourcing Agreement 2021, the Company will obtain quotations from two or more independent third party service providers through price inquiry. The finance department of the Company will perform the comparison of the fee quotations in accordance with the pricing policy to ensure that the terms of the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2021 are fair and reasonable and no less favourable than the terms offered to the Company from independent third parties.



## Directors' Report (Continued)

- (d) On 23 February 2021, the Company entered into the port-related service (sale) framework agreement with Shandong Port International Trade Rizhao Company (for itself and on behalf of its subsidiaries) (the “**Shandong Port International Trade Rizhao Company Framework Agreement**”). Shandong Port International Trade Rizhao Company (i) is a non-wholly owned subsidiary of and is held as to 51% by Shandong Port International Trade Group Co., Ltd\* (山東港口國際貿易集團有限公司), which is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company; and (ii) is held as to 49% by Rizhao Port Group, which is a controlling shareholder of the Company. Accordingly, Shandong Port International Trade Rizhao Company is an associate of Shandong Port Group and Rizhao Port Group pursuant to Rule 14A.13(1) and Rule 14A.13(3) of the Listing Rules, respectively, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 23 February 2021 and the Company's circular dated 23 April 2021.

### Shandong Port International Trade Rizhao Company Framework Agreement

**Nature of the transaction:** The Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

**Term:** The term of the Shandong Port International Trade Rizhao Company Framework Agreement will commence upon the conclusion of the extraordinary general meeting held on 9 June 2021 and end on 31 December 2023, subject to early termination by the Company giving at least 6 months' prior written notice to Shandong Port International Trade Rizhao Company. The Shandong Port International Trade Rizhao Company Framework Agreement can be renewed or extended upon written agreement by the parties, provided that the requirements under the relevant laws and regulations and the Listing Rules are complied with.

**Pricing policy:** The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the cost of the relevant services; and (b) the comparable service fee rate charged by the Company for such services provided for Independent Third Parties. The services to be provided by the Company include (a) stevedoring services and cargo supervision services, which shall be charged based on the weight of the cargoes; and (b) storage services, which shall be charged based on the weight of the cargoes and the number of days the cargoes are stored in the Company's storage yard.

The independent non-executive Directors have reviewed the foregoing continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or better; and
- (c) in accordance with the agreement governing the transaction and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

According to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditors of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditors' findings and conclusion on the above continuing connected transactions of the Company, stating that the auditors have not noticed anything that causes them to believe that any of these continuing connected transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company; (c) were not entered into in accordance with the relevant agreements governing such continuing connected transactions in all material aspects; and (d) have exceeded the relevant annual caps for the financial year ended 31 December 2021. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

On 26 November 2021, in order to determine the annual caps of the continuing connected transactions with Rizhao Port Group for the three years ending 31 December 2024, the Company entered into the Property Lease (Sale) Framework Agreement 2022, the Property Lease (Procurement) Framework Agreement 2022, the General Service (Procurement) Framework Agreement 2022 and the Port-related Service (Sale) Framework Agreement 2022 with Rizhao Port Group with a term commencing from 1 January 2022 and ending on 31 December 2024. The continuing connected transactions contemplated under each of the Property Lease (Sale) Framework Agreement 2022 and the Port-related Service (Sale) Framework Agreement 2022 are only subject to reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirements. The continuing connected transactions contemplated under each of the Property Lease (Procurement) Framework Agreement 2022 and the General Service (Procurement) Framework Agreement 2022 are subject to reporting, annual review, announcement and independent shareholders' approval requirements and were considered and approved at the extraordinary general meeting of the Company held on 31 January 2022. For more details, please refer to the Company's announcements dated 26 November 2021 and 31 January 2022 and the Company's circular dated 15 January 2022.

### RELATED PARTY TRANSACTIONS

Save as the connected transactions disclosed above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with except as disclosed in the paragraph headed "Connected Transactions – Continuing Connected Transactions" in this annual report, none of the related party transactions as disclosed in Note 35 to the financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## Directors' Report (Continued)

### REMUNERATION POLICY

The remuneration policy of the Company links the remunerations of employees with performance, according to their positions, qualifications, work performance and the Company's production and operation results. For the senior management of the Company, the Company implements a basic salary and a performance-based salary policy. The employees' remunerations are reviewed and adjusted by the Company annually. The Company also provides employees with various benefits in accordance with the relevant national, municipal and city-level laws and regulations in the PRC.

The Remuneration Committee was set up for reviewing the Company's policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, comparable market practices and time commitment and responsibilities of the Directors, Supervisors and senior management of the Company.

### RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Company are set out in Notes 10 and 11 to the financial statements.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 35 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the total issued share capital of the Company, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as at the date of this annual report.

### AUDITOR

The financial statements of the Company for the Reporting Period have been audited by Grant Thornton Hong Kong Limited. A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Grant Thornton Hong Kong Limited as independent auditor of the Company.

Deloitte Touche Tohmatsu resigned as the independent auditor of the Company on 26 November 2019, and Grant Thornton Hong Kong Limited has been appointed as the independent auditor of the Company since 17 December 2019.

On behalf of the Board

**Cui Liang**

*Chairman*

Rizhao, PRC, 31 March 2022

During the Reporting Period, the Supervisory Committee maintained the interests of the Company and the Shareholders by discharging their supervisory duties on the operations, connected transactions and other matters of the Company, pursuant to the Company Law of the PRC, the Listing Rules, the Articles of Association, the Procedural Rules of the Supervisory Committee of Rizhao Port Jurong Co., Ltd. (《日照港裕廊股份有限公司監事會議事規則》) and other applicable laws and regulations, and the rights conferred by the shareholders' general meeting, on the basis of diligence and integrity.

## MAJOR WORK PERFORMED BY THE SUPERVISORY COMMITTEE

During the year ended 31 December 2021, the major work performed by the Supervisory Committee included attending Board meetings; carefully reviewing the report of the Directors and profit appropriation proposal to be submitted by the Board for approval at the forthcoming AGM; strictly and effectively monitoring whether the policies and decisions made by the management of the Company had conformed with the applicable laws and regulations and the Articles of Association or safeguarded the benefits of the Shareholders. The Supervisory Committee also reviewed the performance of the Directors, general manager and senior management in the daily operation of the Company by various means, and seriously examined the Company's financial position and its connected transactions.

## INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES OF THE COMPANY IN 2021

### Operation of the Company in compliance with the law

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 and the Articles of Association. The Directors and senior management maintained the interests of the Company and the Shareholders by carrying out the resolutions made by the shareholders' general meetings and the Board, and acting diligently and responsibly in the management and operation of the Company.

None of the Directors and senior management of the Company were found to be in breach of the laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company and the Shareholders as a whole.

### Financial position of the Company

The Supervisory Committee duly reviewed and discussed the audited financial statements of the Company for the Reporting Period and considered that it gave an objective, true, reasonable view in compliance with the laws, regulations and the Articles of Association. It also gave a complete and objective picture of the Company without any false representations, misleading statements or material omissions.

In addition, the Supervisory Committee considered that the preparation of this annual report was in compliance with the laws, regulations and the Articles of Association and its disclosure gave a complete and true picture of the operation, management and financial position of the Company during the Reporting Period.

## Supervisors' Report (Continued)

### Use of IPO Proceeds

During the Reporting Period, the use of the IPO Proceeds strictly complied with the relevant regulations and disclosed application with standard procedures and without misappropriation of the proceeds.

### Connected Transactions

Connected transactions (including continuing connected transactions) entered into by the Company during the Reporting Period complied with laws and regulations as well as the requirements of the relevant connected transaction agreements except as disclosed in the paragraph headed "Connected Transactions – Continuing Connected Transactions" in the director's report of this annual report, and are fair and reasonable to the Company and the Shareholders without harming their interests.

### OUTLOOK AND PROSPECTS FOR 2022

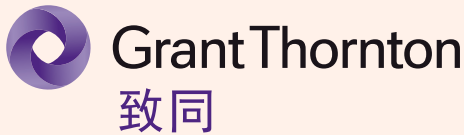
In 2022, the Supervisory Committee will continue to carry out its supervision and inspection duties accountable to all the Shareholders in strict accordance with relevant laws and regulations and the Articles of Association in order to safeguard the legal interests of the Company and the Shareholders and effectively regulate the operation and development of the Company.

By order of the Supervisory Committee

**Wang Wei**

*Chairman of the Supervisory Committee*

Rizhao, PRC, 31 March 2022



To the member of Rizhao Port Jurong Co., Ltd.  
(incorporated in the People's Republic of China with limited liability)

## OPINION

We have audited the financial statements of Rizhao Port Jurong Co., Ltd. (the "**Company**") set out on pages 74 to 139, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. 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 are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

### Key Audit Matter

### How the matter was addressed in our audit

#### Revenue recognition – Provision of services

*Refer to note 5 to the financial statements*

The Company recognised revenue of approximately RMB672,721,000 for the year ended 31 December 2021 in provision of services mainly including stevedoring of goods, storage and other port operations.

We identified the above matter as a key audit matter because revenue is one of the key performance indicators of the Company and there is an inherent risk over the recognition of revenue by the management to meet specific targets or expectations.

Our key audit procedures to address the recognition of revenue included the following:

- evaluated the design and implementation of management's internal controls over revenue recognition;
- evaluated the appropriateness of the recognition policy such as recognising over time or at a point in time and identifying performance obligations with reference to the relevant accounting standard;
- performed analytical procedures to assess whether the recognised revenue was in line with the expected level;
- selected samples from the shipment schedules and checked to underlying contracts and supporting documents to verify the revenue is recognised in accordance with the recognition policy; and
- performed cut-off test on a sample of revenue transactions before and after the financial year end date to assess whether the transactions were recognised in proper period by tracing to underlying contracts and supporting documents.

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, but does not include 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 THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Company's financial reporting process.



## Independent Auditor's Report (Continued)

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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, actions taken to eliminate threats or safeguards applied.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

From the matter communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. We describe this matter 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.

#### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

31 March 2022

Chi-Kit Shaw

Practising Certificate No.: P04834

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

|   | Notes | 2021<br>RMB'000    | 2020<br>RMB'000 |
|---|-------|--------------------|-----------------|
| <b>Revenue</b>  | 5     | <b>758,421</b>     | 615,318         |
| Cost of sales   |       | <b>(500,081)</b>   | (379,161)       |
| <b>Gross profit</b>   |       | <b>258,340</b>     | 236,157         |
| Other income  | 7     | <b>8,768</b>       | 7,700           |
| Other gains, net  | 8     | <b>491</b>         | 272             |
| Impairment losses (recognised)/reversed   | 9     | <b>(123)</b>       | 259             |
| Selling and distribution expenses   |       | <b>(4,194)</b>     | (3,901)         |
| Administrative expenses   |       | <b>(14,968)</b>    | (14,251)        |
| Finance costs   | 13    | <b>(22,245)</b>    | (24,397)        |
| <b>Profit before income tax</b>   | 10    | <b>226,069</b>     | 201,839         |
| Income tax expense  | 14    | <b>(57,773)</b>    | (50,710)        |
| <b>Profit and total comprehensive income attributable to the owners of the Company for the year</b> |       | <b>168,296</b>     | 151,129         |
| <b>Earnings per share attributable to the owners of the Company</b>                                 |       |                    |                 |
| – Basic and diluted ( <i>expressed in RMB</i> )   | 15    | <b>10.14 cents</b> | 9.10 cents      |

The notes on pages 81 to 139 are an integral part of these financial statements.

# Statement of Financial Position

as at 31 December 2021

|  | Notes | 2021<br>RMB'000  | 2020<br>RMB'000 |
|--|-------|------------------|-----------------|
| <b>ASSETS AND LIABILITIES</b>  |       |                  |                 |
| <b>Non-current assets</b>  |       |                  |                 |
| Property, plant and equipment  | 17    | 1,797,815        | 1,849,524       |
| Deposits for purchase of property, plant and equipment                       |       | 915              | 1,198           |
| Investment properties  | 18    | 295,221          | 302,996         |
| Intangible assets  | 19    | 2,806            | 2,910           |
| Other non-current assets   | 20    | 1,107            | 1,242           |
|  |       | <b>2,097,864</b> | 2,157,870       |
| <b>Current assets</b>  |       |                  |                 |
| Inventories  | 21    | 3,350            | 3,912           |
| Trade and other receivables  | 22    | 31,876           | 48,012          |
| Bills receivable at fair value through other comprehensive income ("FVTOCI") | 23    | 3,361            | 11,000          |
| Contract assets  | 24    | 3,484            | 1,490           |
| Cash and cash equivalents  | 25    | 592,669          | 280,280         |
|  |       | <b>634,740</b>   | 344,694         |
| <b>Current liabilities</b>   |       |                  |                 |
| Trade and other payables   | 26    | 43,032           | 34,144          |
| Contract liabilities   | 27    | 14,320           | 150             |
| Lease liabilities  | 28    | 13,260           | 2,677           |
| Advance payments from lease contract   | 29    | 2,375            | 2,375           |
| Income tax payable   |       | 11,570           | 7,452           |
|  |       | <b>84,557</b>    | 46,798          |
| <b>Net current assets</b>  |       | <b>550,183</b>   | 297,896         |
| <b>Total assets less current liabilities</b>                                 |       | <b>2,648,047</b> | 2,455,766       |

## Statement of Financial Position (Continued)

as at 31 December 2021

|                                      | Notes | 2021<br>RMB'000  | 2020<br>RMB'000 |
|--------------------------------------|-------|------------------|-----------------|
| <b>Non-current liabilities</b>       |       |                  |                 |
| Lease liabilities                    | 28    | 232,920          | 205,198         |
| Advance payments from lease contract | 29    | 17,219           | 19,594          |
| Deferred tax liabilities             | 30    | 4,300            | 5,662           |
|                                      |       | <b>254,439</b>   | 230,454         |
| <b>Net assets</b>                    |       |                  |                 |
|                                      |       | <b>2,393,608</b> | 2,225,312       |
| <b>CAPITAL AND RESERVES</b>          |       |                  |                 |
| Share capital                        | 31    | 1,660,000        | 1,660,000       |
| Reserves                             |       | 733,608          | 565,312         |
| <b>Total equity</b>                  |       |                  |                 |
|                                      |       | <b>2,393,608</b> | 2,225,312       |

\_\_\_\_\_  
Cui Liang  
Director

\_\_\_\_\_  
Zhang Feng  
Director

The notes on pages 81 to 139 are an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 31 December 2021

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                                   |                        |                        |
| Profit before income tax  | 226,069                | 201,839                |
| Adjustments for:  |                        |                        |
| Depreciation of property, plant and equipment (including right-of-use assets) | 114,462                | 107,553                |
| Depreciation of investment properties   | 7,775                  | 7,775                  |
| Amortisation of intangible asset  | 431                    | 284                    |
| Release of lease payments received in advance                                 | (2,375)                | (2,375)                |
| Interest income   | (7,009)                | (1,840)                |
| Finance costs   | 22,245                 | 24,397                 |
| Impairment loss recognised/(reversed) on trade receivables, net               | 84                     | (259)                  |
| Impairment loss recognised on contract assets                                 | 39                     | –                      |
| Gain on disposal of property, plant and equipment                             | (378)                  | –                      |
| Written-off of property, plant and equipment                                  | –                      | 436                    |
| Operating cash flows before working capital changes                           | 361,343                | 337,810                |
| Decrease in other non-current assets  | 135                    | 133                    |
| Decrease in inventories   | 562                    | 185                    |
| Decrease in trade and other receivables                                       | 16,052                 | 19,267                 |
| Decrease/(Increase) in bills receivable at FVTOCI                             | 7,639                  | (14,008)               |
| (Increase)/Decrease in contract assets  | (2,033)                | 243                    |
| Increase in trade and other payables  | 20,096                 | 8,005                  |
| Increase in contract liabilities  | 14,170                 | 66                     |
| Cash generated from operations  | 417,964                | 351,701                |
| Income tax paid   | (54,784)               | (51,217)               |
| <b>Net cash from operating activities</b>                                     | <b>363,180</b>         | <b>300,484</b>         |

## Statement of Cash Flows (Continued)

for the year ended 31 December 2021

|  | 2021<br>RMB'000 | 2020<br>RMB'000  |
|--|-----------------|------------------|
| <b>Cash flows from investing activities</b>  |                 |                  |
| Payments and deposits placed for property, plant and equipment                         | (11,813)        | (40,416)         |
| Proceeds from disposal of property, plant and equipment                                | 527             | –                |
| Payments for intangible assets   | (327)           | (1,306)          |
| Interest received  | 7,009           | 1,840            |
| <b>Net cash used in investing activities</b>   | <b>(4,604)</b>  | <b>(39,882)</b>  |
| <b>Cash flows from financing activities</b>  |                 |                  |
| Repayments of bank borrowings  | –               | (100,000)        |
| Proceeds from related parties  | 15,075          | 13,398           |
| Repayment to related parties   | (26,516)        | (14,309)         |
| Payment of lease liabilities   | (12,501)        | (13,312)         |
| Interest paid  | (22,245)        | (24,397)         |
| Dividends paid   | –               | (39,809)         |
| <b>Net cash used in financing activities</b>   | <b>(46,187)</b> | <b>(178,429)</b> |
| <b>Net increase in cash and cash equivalents</b>                                       | <b>312,389</b>  | <b>82,173</b>    |
| Cash and cash equivalents at beginning of year   | 280,280         | 198,107          |
| <b>Cash and cash equivalents at end of year, represented by bank balances and cash</b> | <b>592,669</b>  | <b>280,280</b>   |

The notes on pages 81 to 139 are an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2021

|  | Share<br>capital<br><i>(note 32(a))</i> | Share<br>Premium<br><i>(note 32(a))</i> | Capital<br>Reserve<br><i>(note 32(b))</i> | Statutory<br>Reserve<br><i>(note 32(c))</i> | Retained<br>profits | Total          |
|--|---|---|---|---|---------------------|----------------|
| <i>Note</i>  | <i>RMB'000</i>                          | <i>RMB'000</i>                          | <i>RMB'000</i>                            | <i>RMB'000</i>                              | <i>RMB'000</i>      | <i>RMB'000</i> |
| <b>Balance at 1 January 2020</b>                   | 1,660,000                               | 105,245                                 | 159,077                                   | 30,763                                      | 158,907             | 2,113,992      |
| <b>Total comprehensive income for the year</b>     |   |   |   |   |                     |                |
| Profit and total comprehensive income for the year | -                                       | -                                       | -   | -   | 151,129             | 151,129        |
| <b>Transactions with owners</b>                    |   |   |   |   |                     |                |
| Appropriation for statutory reserve                | -                                       | -                                       | -   | 15,845                                      | (15,845)            | -              |
| Dividend paid                                      | 16                                      | -                                       | -   | -   | (39,809)            | (39,809)       |
| Total transactions with owners                     | -                                       | -                                       | -   | 15,845                                      | (55,654)            | (39,809)       |
| <b>Balance at 31 December 2020</b>                 | 1,660,000                               | 105,245                                 | 159,077                                   | 46,608                                      | 254,382             | 2,225,312      |



## Statement of Changes in Equity (Continued)

for the year ended 31 December 2021

|  | Note | Share<br>capital<br>RMB'000 | Share<br>Premium<br>(note 32(a))<br>RMB'000 | Capital<br>Reserve<br>(note 32(b))<br>RMB'000 | Statutory<br>Reserve<br>(note 32(c))<br>RMB'000 | Retained<br>profits<br>RMB'000 | Total<br>RMB'000 |
|--|------|-----------------------------|---|---|---|--------------------------------|------------------|
| <b>Balance at 1 January 2021</b>                   |      | 1,660,000                   | 105,245                                     | 159,077                                       | 46,608  | 254,382                        | 2,225,312        |
| <b>Total comprehensive income for the year</b>     |      |                             |   |   |   |                                |                  |
| Profit and total comprehensive income for the year |      | -                           | -   | -   | -   | 168,296                        | 168,296          |
| <b>Transactions with owners</b>                    |      |                             |   |   |   |                                |                  |
| Appropriation for statutory reserve                |      | -                           | -   | -   | 16,858  | (16,858)                       | -                |
| Total transactions with owners                     |      | -                           | -   | -   | 16,858  | (16,858)                       | -                |
| <b>Balance at 31 December 2021</b>                 |      | 1,660,000                   | 105,245                                     | 159,077                                       | 63,466  | 405,820                        | 2,393,608        |

The notes on pages 81 to 139 are an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2021

## 1. GENERAL INFORMATION

Rizhao Port Jurong Co., Ltd. (the “**Company**”) is a joint stock company incorporated in the People's Republic of China (the “**PRC**”) with limited liability. The registered office and headquarter of the Company is at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC.

The Company's immediate holding company is Rizhao Port Co., Ltd. (“**Rizhao Port**”), a joint stock company with limited liability incorporated in the PRC and its shares are listed for trading on the Main Board of Shanghai Stock Exchange (Stock Code: 600017). In the opinion of the directors, the ultimate holding company was Shandong Port Group Co., Ltd. (山東省港口集團有限公司, “**Shandong Port Group**”). Shandong Port Group is a company incorporated in the PRC with limited liability and a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission.

The Company is primarily engaged in port operation in Rizhao City, Shandong Province of the PRC, which includes handling grains, woodchips and dried tapioca along with berth leasing, port services such as warehousing, cargo storage, transportation, and related supporting business.

Unless otherwise stated, the financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

The financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 31 March 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (“**IASB**”). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and their impacts on the financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for bills receivable which are stated in fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Foreign currency translation

The financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

### 2.3 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in note 2.12) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The useful lives of each category of assets are as follows:

|  |               |
|--|---------------|
| Buildings                                    | 10 – 40 years |
| Terminal facilities                          | 50 years      |
| Storage facilities                           | 10 – 40 years |
| Loading equipment                            | 8 – 15 years  |
| Machinery equipment                          | 8 – 12 years  |
| Motor vehicles                               | 6 years       |
| Communication facilities and other equipment | 5 – 8 years   |

Accounting policy for depreciation of right-of-use assets is set out in note 2.12.

Estimates of residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Property, plant and equipment (Continued)

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

Construction in progress represents properties, plant and equipment under construction and is stated at cost less any impairment losses. Cost includes cost of construction and other direct costs (such as costs of materials, direct labour and borrowing costs).

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

### 2.4 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Company from use of the land.

### 2.5 Investment properties

Investment properties are terminal facilities which are owned or held under a leasehold interest (see note 2.12) to earn rental income/or for capital appreciation.

On initial recognition, investment property is measured at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is calculated on the straight-line basis over the expected useful life. The principal expected useful life for this purpose is as follows:

|                     |               |
|---------------------|---------------|
| Terminal facilities | 40 – 50 years |
|---------------------|---------------|

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

|                        |          |
|------------------------|----------|
| Software               | 10 years |
| Rights to use sea area | 40 years |

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with finite lives are tested for impairment as described below in note 2.16.

### 2.7 Financial instruments

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Financial assets

##### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Company's financial assets are classified as financial assets at amortised cost or fair value through other comprehensive income ("FVTOCI").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Financial instruments (Continued)

#### Financial assets (Continued)

##### *Classification and initial measurement of financial assets (Continued)*

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("ECL") of trade and other receivables and contract assets which is presented on the face of the statement of profit or loss and other comprehensive income.

##### *Subsequent measurement of financial assets*

Debt investments – Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and other receivables and cash and cash equivalents fall into this category of financial instruments.

Debt investments – Financial assets at FVTOCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Financial instruments (Continued)

#### Financial liabilities

##### *Classification and measurement of financial liabilities*

The Company's financial liabilities include trade and other payables and leases liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income.

Accounting policies of lease liabilities are set out in note 2.12.

Trade and other payables

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

### 2.8 Impairment of financial assets and contract assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL – the “**ECL model**”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables and contract assets recognised and measured under IFRS 15.

The Company considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Impairment of financial assets and contract assets (Continued)

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Trade receivables and contract assets**

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. Note 38.4 set out the details of methodologies and assumptions used in estimating the loss allowance of trade receivables and contract assets.

#### **Other financial assets measured at amortised cost and debt investments at FVTOCI**

The Company measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.



# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Impairment of financial assets and contract assets (Continued)

#### Other financial assets measured at amortised cost and debt investments at FVTOCI (Continued)

Despite the foregoing, the Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Detailed analysis of the ECL assessment of trade receivables, contract assets, other financial assets measured at amortised cost and debt investments at FVTOCI are set out in note 38.4.

### 2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

### 2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.11 Contract assets and contract liabilities

A contract asset is recognised when the Company recognises revenue (see note 2.15) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.8 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.7).

A contract liability is recognised when the customer pays consideration before the Company recognises the related revenue (see note 2.15). A contract liability would also be recognised if the Company has an unconditional right to receive consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Leases

#### (a) Definition of a lease and the Company as a lessee

At inception of a contract, the Company considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Company is reasonably certain to obtain ownership at the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicator exists.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Leases (Continued)

#### (a) Definition of a lease and the Company as a lessee (Continued)

##### *Measurement and recognition of leases as a lessee (Continued)*

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise machinery equipment and small items of office equipment.

On the statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in “property, plant and equipment”. The prepaid lease payments for storage facilities are presented as right-of-use assets in “property, plant and equipment” under non-current assets.

#### (b) The Company as a lessor

As a lessor, the Company classifies its leases as operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Company also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Company, are also disclosed as contingent liability unless the probability of outflow of economic benefit is remote.

### 2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to such equity transaction.

### 2.15 Revenue recognition

Revenue arises mainly from provision of facilities or services in port operations and gross rental income from properties under operating lease arrangement.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Revenue recognition (Continued)

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

#### Principal versus agent

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Company is an agent).

The Company is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Company does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Company acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further details of the Company's revenue recognition policies are as follows:

#### Stevedoring service

Stevedoring service primarily involves bulk cargo, bulk grains, woodchips and dried tapioca. Stevedoring service is recognised over time for unloading the goods from vessels at rates per tonne of the goods handled as specified in the contract.

#### Storage service

The Company offers short-term storage service to meet the need of customers who require temporary storage for bulk cargos before they transport the cargos to the next destination. The storage service is recognised over time and charged at daily rates specified in the contract.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 Revenue recognition (Continued)

##### Port management services

The Company provides a variety of port-related services including berthing services and port facility security services. Port management services are recognised over time for vessel berthing at the berths and for the maintenance and repair of public facilities at the berths. The consideration for berthing service and port facility security services are charged at daily rates and rates per tonne of the goods handled, respectively, as specified in the contract.

##### Logistics agency services

The Company offers logistics services between the customers and various rail freighters and logistics providers. Relevant revenue is recognised at a point in time when the services are delivered.

##### Interest income

Interest income is recognised on an accrual basis using the effective interest method.

##### Rental income

Rental income is recognised according to accounting policy as set out in note 2.12.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Impairment of non-financial assets (other than contract assets)

Property, plant and equipment (including right-of-use assets), deposits for purchase of property, plant and equipment, investment properties and intangible assets are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

### 2.17 Employee benefits

#### Retirement benefits scheme

Retirement benefits to employees are provided through two kinds of retirement benefit plans including the basic pensions and the corporate annuity.

#### (a) Basic pensions

The Company'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 according to the bases and percentage prescribed by the relevant local authorities. When employees retired, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees and included into the profit or loss for the corresponding period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Employee benefits (Continued)

#### Retirement benefits scheme (Continued)

##### (b) Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Company in accordance with State's Corporate Annuity Regulations apart from basic pensions. The annuity is accrued by the Company in proportion to the payroll and the expenditure is included into profit or loss for the corresponding period.

#### Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### 2.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.



# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Accounting for income tax (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Company has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a major of criteria.

### 2.20 Government subsidies

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Company will comply with all attached conditions. Government subsidies are deferred and recognised in profit or loss over the period necessary to match them with the costs that the subsidies are intended to compensate. Government subsidies relating to the purchase of assets are included in liabilities as deferred government subsidies in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Government subsidies (Continued)

Government subsidies relating to income is presented gross under "other income" in profit or loss.

### 2.21 Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (a) the party, is a person or a close member of that person's family and if that person,
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same group.
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) the entity and the Company are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 3. ADOPTION OF NEW AND AMENDED IFRSS

### Amended IFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Company has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Company's operations and effective for the Company's financial statements for the annual period beginning on 1 January 2021:

|  |  |
|--|--|
| Amendment to IFRS 16   | Covid-19-Related Rent Concessions        |
| Amendments to IFRS 9, IAS 39 and IFRS 7,<br>IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

The adoption of the amended IFRSs had no material impact on how the results and financial position of the Company for the current and prior period have been prepared and presented.

### Issued but not effective IFRSs

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Company.

|   |   |
|---|---|
| IFRS 17   | Insurance Contracts and related amendments <sup>2</sup>   |
| Amendments to IFRS 3                                | Reference to the Conceptual Framework <sup>4</sup>  |
| Amendments to IFRS 10 and IAS 28                    | Sale or Contribution of Assets between an Investor and its Associate<br>or Joint Venture <sup>3</sup> |
| Amendments to IFRS 16                               | Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>5</sup>                                    |
| Amendments to IAS 1                                 | Classification of Liabilities as Current or Non-current <sup>2</sup>                                  |
| Amendments to IAS1 and IFRS Practice<br>Statement 2 | Disclosure of Accounting Policies <sup>2</sup>  |
| Amendments to IAS 8                                 | Definition of Accounting Estimates <sup>2</sup>   |
| Amendments to IAS 12                                | Deferred Tax related to Assets and Liabilities arising from a Single<br>Transaction <sup>2</sup>      |
| Amendments to IAS 16                                | Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>                             |
| Amendments to IAS 37                                | Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>  |
| Amendments to IFRSs                                 | Annual Improvements to IFRSs 2018-2020 <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date to be determined

<sup>4</sup> Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Company's financial statements.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

#### 4.1 Estimate uncertainty

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

##### **Depreciation and impairment assessment of property, plant and equipment and investment properties**

Property, plant and equipment and investment properties (notes 17 and 18 respectively) are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are based on the Company's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment and investment properties are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the berths, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Company's business plan. As at 31 December 2021, the carrying amounts of property, plant and equipment and investment properties were RMB1,797,815,000 and RMB295,221,000, respectively (2020: RMB1,849,524,000 and RMB302,996,000, respectively).

##### **Provision for impairment of trade and other receivables and contract assets within the scope of ECL under IFRS 9**

The Company makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets) based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 38.4. As at 31 December 2021, the aggregate carrying amounts of trade receivables and contract assets amounted to RMB31,186,000 (net of ECL allowance of RMB672,000) and RMB3,484,000 (net of ECL allowance RMB77,000), respectively (2020: RMB23,387,000 (net of ECL allowance of RMB588,000) and RMB1,490,000 (net of ECL allowance RMB38,000), respectively).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 4.2 Critical accounting judgment

#### Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Company;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Company's needs); and
- significance to the Company's operation.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

In determining the discount rate, the Company is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 5. REVENUE

The Company's principal activities are disclosed in note 1 to the financial statements. The Company's revenue recognised during the year is as follows:

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Revenue from contracts with customers – Provision of services         | 672,721                | 534,094                |
| Revenue from other sources - Rental income from investment properties | 85,700                 | 81,224                 |
|   | <b>758,421</b>         | 615,318                |

#### Disaggregation of revenue from contracts with customers with the scope of IFRS 15

The Company derives revenue from the provision of services over time and at a point in time in the following types of services in the PRC:

|                                      | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| <b>Types of services</b>             |                        |                        |
| Stevedoring service                  | 577,095                | 459,063                |
| Storage service                      | 51,997                 | 12,443                 |
| Port management service              | 16,319                 | 13,839                 |
| Logistics agency service             | 27,310                 | 48,749                 |
| Total                                | <b>672,721</b>         | 534,094                |
| <b>Timing of revenue recognition</b> |                        |                        |
| Over time                            | 645,411                | 485,345                |
| At a point in time                   | 27,310                 | 48,749                 |
| Total                                | <b>672,721</b>         | 534,094                |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 6. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from rendering stevedoring and storage and ancillary services.

The management of the Company considers that the Company has one reportable operating segment. No operating segment information is presented other than the entity-wide disclosures.

#### Geographic information

The Company's revenue and profit are all derived from the PRC. All non-current assets are located in the PRC.

#### Information about major customers

The following table sets out the revenue from customers contributing over 10% of the total revenue of the Company during the reporting period.

|            | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|------------|------------------------|------------------------|
| Customer A | 73,207                 | 76,684                 |

### 7. OTHER INCOME

|                                      | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| Interest income                      | 7,009                  | 1,840                  |
| Government subsidies ( <i>note</i> ) | 1,299                  | 5,050                  |
| Others                               | 460                    | 380                    |
| Exchange gains                       | -                      | 430                    |
|                                      | <b>8,768</b>           | 7,700                  |

*Note:* Government subsidies mainly relate to the subsidies granted by the government in respect of operating and development activities and to provide financial support to the Company which are unconditional grants.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 8. OTHER GAINS, NET

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Gain on disposal of property, plant and equipment | 378                    | –                      |
| Written-off of property, plant and equipment      | –                      | (436)                  |
| Others  | 113                    | 708                    |
|   | <b>491</b>             | 272                    |

### 9. IMPAIRMENT LOSSES (RECOGNISED)/REVERSED

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Impairment loss (recognised)/reversed on trade receivables, net | (84)                   | 259                    |
| Impairment loss recognised on contract assets                   | (39)                   | –                      |
|   | <b>(123)</b>           | 259                    |



## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

|   | <b>2021</b>    | 2020    |
|---|----------------|---------|
|   | <b>RMB'000</b> | RMB'000 |
| Rental income from investment properties                            | <b>85,700</b>  | 81,224  |
| Less: direct operating expenses incurred from investment properties | <b>(7,775)</b> | (7,775) |
| Net rental income from investment properties                        | <b>77,925</b>  | 73,449  |
| Auditor's remuneration  | <b>753</b>     | 525     |
| Depreciation:   |                |         |
| – Property, plant and equipment                                     | <b>94,785</b>  | 87,927  |
| – Right-of-use assets   | <b>19,677</b>  | 19,626  |
| – Investment properties   | <b>7,775</b>   | 7,775   |
| Amortisation of intangible assets ( <i>note b</i> )                 | <b>431</b>     | 284     |
| Total depreciation and amortisation charged to profit or loss       | <b>122,668</b> | 115,612 |
| Lease charges:  |                |         |
| – Short-term leases   | <b>23,859</b>  | 103     |
| – Leases of low-value items   | <b>53</b>      | 212     |
| – Variable lease payments   | <b>16,543</b>  | 10,959  |
| Directors' and supervisors' emoluments ( <i>note 11</i> )           | <b>1,021</b>   | 1,007   |
| Other staff costs (exclude directors' and supervisors' emoluments): |                |         |
| – Salaries, allowances and other benefits                           | <b>52,363</b>  | 47,218  |
| – Retirement benefit scheme contributions ( <i>note a</i> )         | <b>16,581</b>  | 8,159   |
| Total staff costs   | <b>69,965</b>  | 56,384  |

Note:

- (a) No preferential policy of social insurance fee reduction or exemption during the year ended 31 December 2021 (2020: the Company was benefited from the preferential policy of social insurance fee reduction and exemption during the COVID-19 epidemic).
- (b) The amortisation of intangible assets is included in "Administrative expenses" of the statement of profit or loss and other comprehensive income.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

| Name                                       | Notes | Fees<br>RMB'000 | Salaries and<br>allowances<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Retirement<br>benefit<br>scheme<br>contribution<br>RMB'000 | Total<br>RMB'000 |
|--|-------|-----------------|---------------------------------------|-------------------------------------|--|------------------|
| <b>Year ended 31 December 2021</b>         |       |                 |                                       |                                     |  |                  |
| <i>Executive director:</i>                 |       |                 |                                       |                                     |  |                  |
| Mr. He Zhaodi                              | (i)   | –               | 73                                    | 175                                 | 37   | 285              |
| Mr. Zhang Feng                             | (ii)  | –               | 194                                   | 63                                  | 78   | 335              |
| <i>Non-executive directors:</i>            |       |                 |                                       |                                     |  |                  |
| Mr. Ooi Boon Hoe                           |       | –               | –                                     | –                                   | –  | –                |
| Mr. Shi Ruxin                              | (iii) | –               | –                                     | –                                   | –  | –                |
| Mr. Jiang Zidan                            |       | –               | –                                     | –                                   | –  | –                |
| Mr. Wang Yufu                              | (iv)  | –               | –                                     | –                                   | –  | –                |
| Mr. Pay Cher Wee                           |       | –               | –                                     | –                                   | –  | –                |
| Mr. Chen Lei                               | (v)   | –               | –                                     | –                                   | –  | –                |
| Mr. Cui Liang                              | (vi)  | –               | –                                     | –                                   | –  | –                |
| <i>Independent non-executive directors</i> |       |                 |                                       |                                     |  |                  |
| Mr. Zhang Zixue                            |       | 60              | –                                     | –                                   | –  | 60               |
| Mr. Lee Man Tai                            |       | 60              | –                                     | –                                   | –  | 60               |
| Mr. Wu Xibin                               |       | 60              | –                                     | –                                   | –  | 60               |
| <i>Supervisors</i>                         |       |                 |                                       |                                     |  |                  |
| Mr. Wang Wei                               |       | –               | 37                                    | 114                                 | 70   | 221              |
| Mr. Li Weiqing                             |       | –               | –                                     | –                                   | –  | –                |
| Mr. Tham Wai Kong                          |       | –               | –                                     | –                                   | –  | –                |
|  |       | 180             | 304                                   | 352                                 | 185  | 1,021            |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

| Name                                       | Notes  | Fees<br>RMB'000 | Salaries and<br>allowances<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Retirement<br>benefit<br>scheme<br>contribution<br>RMB'000 | Total<br>RMB'000 |
|--|--------|-----------------|---------------------------------------|-------------------------------------|--|------------------|
| <b>Year ended 31 December 2020</b>         |        |                 |                                       |                                     |  |                  |
| <i>Executive director:</i>                 |        |                 |                                       |                                     |  |                  |
| Mr. He Zhaodi                              |        | –               | 305                                   | 136                                 | 88   | 529              |
| <i>Non-executive directors:</i>            |        |                 |                                       |                                     |  |                  |
| Mr. Zhang Baohua                           | (viii) | –               | –                                     | –                                   | –  | –                |
| Mr. Ng Chee Keong                          | (xi)   | –               | –                                     | –                                   | –  | –                |
| Mr. Ooi Boon Hoe                           |        | –               | –                                     | –                                   | –  | –                |
| Mr. Shi Ruxin                              |        | –               | –                                     | –                                   | –  | –                |
| Mr. Jiang Zidan                            |        | –               | –                                     | –                                   | –  | –                |
| Mr. Wang Yufu                              | (vi)   | –               | –                                     | –                                   | –  | –                |
| Mr. Pay Cher Wee                           | (vii)  | –               | –                                     | –                                   | –  | –                |
| <i>Independent non-executive directors</i> |        |                 |                                       |                                     |  |                  |
| Mr. Zhang Zixue                            |        | 60              | –                                     | –                                   | –  | 60               |
| Mr. Lee Man Tai                            |        | 60              | –                                     | –                                   | –  | 60               |
| Mr. Wu Xibin                               |        | 60              | –                                     | –                                   | –  | 60               |
| <i>Supervisors</i>                         |        |                 |                                       |                                     |  |                  |
| Mr. Wang Wei                               |        | –               | 246                                   | 4                                   | 48   | 298              |
| Mr. Li Weiqing                             |        | –               | –                                     | –                                   | –  | –                |
| Mr. Tham Wai Kong                          |        | –               | –                                     | –                                   | –  | –                |
|  |        | 180             | 551                                   | 140                                 | 136  | 1,007            |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (i) Mr. Zhang Feng was appointed as an executive director of the Company on 20 May 2021.
- (ii) Mr. He Zhaodi resigned as an executive director of the Company on 20 May 2021.
- (iii) Mr. Shi Ruxin resigned as a non-executive director of the Company on 26 January 2021.
- (iv) Mr. Wang Yufu was appointed as Chairman of the Board and a non-executive director of the Company on 18 May 2020 and retired as Chairman of the Board and a non-executive director of the Company on 24 November 2021.
- (v) Mr. Chen Lei was appointed as a non-executive director of the Company on 20 May 2021.
- (vi) Mr. Cui Liang was appointed as Chairman of the Board and a non-executive director of the Company on 24 November 2021.
- (vii) Mr. Pay Cher Wee was appointed as a non-executive director of the Company on 18 May 2020.
- (viii) Mr. Zhang Baohua resigned as Chairman of the Board and non-executive director of the Company on 3 April 2020.
- (ix) Mr. Ng Chee Keong resigned as a non-executive director of the Company on 3 April 2020.

The executive directors' emoluments shown above were paid for their services in connection with the management of the operation affairs of the Company.

The supervisors' emoluments shown were paid for their services as supervisors.

Certain non-executive directors and supervisors did not receive any emoluments from the Company during the years ended 31 December 2021 and 2020. They received their emoluments from Rizhao Port and Jurong Port Rizhao Holding Pte Ltd (collectively "**Shareholding Companies**") because they hold positions at the Shareholding Companies.

The bonuses are discretionary and are determined by reference to the Company's and the individuals' performance.

No emoluments were paid by the Company to any directors as an inducement to join or upon joining the Company or as compensation for loss of office during the year (2020: nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2021 (2020: nil).

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 12. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Company for the year include one (2020: one) director and nil (2020: one) supervisor whose emoluments are reflected in the analysis presented above. The aggregate emoluments payable to the remaining four (2020: three) individuals during the year are as follows:

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Salaries and other emoluments           | 761                    | 726                    |
| Discretionary bonuses                   | 502                    | 250                    |
| Retirement benefit scheme contributions | 358                    | 187                    |
|   | <b>1,621</b>           | 1,163                  |

The remuneration of the remaining four (2020: three) individuals fell within the following band:

|                     | 2021 | 2020 |
|---------------------|------|------|
| Nil – HK\$1,000,000 | 4    | 3    |

No emoluments were paid by the Company to any of the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office during the year (2020: nil).

### 13. FINANCE COSTS

|                                 | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| <b>Interest expense</b>         |                        |                        |
| – Interest on bank borrowings   | –                      | 3,572                  |
| – Interest on lease liabilities | 22,245                 | 20,825                 |
|                                 | <b>22,245</b>          | 24,397                 |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 14. INCOME TAX EXPENSE

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Current tax</b>                     |                        |                        |
| – PRC enterprise income tax (“EIT”)    | 59,135                 | 51,498                 |
| <b>Deferred tax</b> ( <i>note 30</i> ) | (1,362)                | (788)                  |
|  | <b>57,773</b>          | 50,710                 |

The provision for EIT were made based on estimated taxable profits calculated in accordance with income tax laws and regulations applicable in the PRC.

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”) and Provision for Implementation of the EIT Law, the tax rate of the Company is 25% for the years ended 31 December 2021 and 2020.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before income tax                           | 226,069                | 201,839                |
| Tax on profit before income tax of 25% (2020: 25%) | 56,517                 | 50,460                 |
| Tax effect of non-deductible expenses              | 1,256                  | 250                    |
| <b>Income tax expense</b>                          | <b>57,773</b>          | 50,710                 |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 15. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Earnings</b>  |                 |                 |
| Profit for the year attributable to the owners of the Company                          | 168,296         | 151,129         |
|  |                 |                 |
| <b>Number of shares</b>  |                 |                 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,660,000,000   | 1,660,000,000   |
|  |                 |                 |
| <b>Basic earnings per share (RMB cents)</b>  | 10.14           | 9.10            |

#### (b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2021 and 2020. Therefore, the diluted earnings per share are equal to the basic earnings per share.

### 16. DIVIDENDS

On 31 March 2022, the Board resolved to declare a final dividend of RMB0.024 (tax inclusive) per share, totalling approximately RMB40,000,000 for the year ended 31 December 2021 to the Company's shareholders whose names appear on the register of members of the Company on 27 May 2022, subject to the consideration and approval on the same by shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as dividend payable in this financial statements (2020: The Company declared and paid 2019 final dividends of RMB39,809,000 during the year ended 31 December 2020).

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 17. PROPERTY, PLANT AND EQUIPMENT

|   | Buildings     | Terminal facilities | Storage facilities | Loading equipment | Machinery equipment | Motor vehicles | Communication facilities and other equipment | Construction in progress | Right-of-use assets | Total            |
|---|---------------|---------------------|--------------------|-------------------|---------------------|----------------|--|--------------------------|---------------------|------------------|
|   | RMB'000       | RMB'000             | RMB'000            | RMB'000           | RMB'000             | RMB'000        | RMB'000                                      | RMB'000                  | RMB'000             | RMB'000          |
| <b>At 1 January 2020</b>                      |               |                     |                    |                   |                     |                |  |                          |                     |                  |
| Cost  | 108,068       | 775,454             | 556,302            | 536,100           | 318,376             | 6,282          | 13,106                                       | 210,698                  | 262,646             | 2,787,032        |
| Accumulated depreciation                      | (38,195)      | (110,922)           | (165,692)          | (357,976)         | (164,765)           | (3,511)        | (9,561)                                      | -                        | (19,100)            | (869,722)        |
| <b>Net book amount</b>                        | <b>69,873</b> | <b>664,532</b>      | <b>390,610</b>     | <b>178,124</b>    | <b>153,611</b>      | <b>2,771</b>   | <b>3,545</b>                                 | <b>210,698</b>           | <b>243,546</b>      | <b>1,917,310</b> |
| <b>Year ended 31 December 2020</b>            |               |                     |                    |                   |                     |                |  |                          |                     |                  |
| Opening net book amount                       | 69,873        | 664,532             | 390,610            | 178,124           | 153,611             | 2,771          | 3,545  | 210,698                  | 243,546             | 1,917,310        |
| Additions                                     | 731           | -                   | 97                 | 1,743             | 217                 | 2              | 804  | 36,609                   | -                   | 40,203           |
| Transfers                                     | -             | 185,592             | 1,203              | 33,796            | 535                 | -              | -  | (221,126)                | -                   | -                |
| Written-off                                   | (436)         | -                   | -                  | -                 | -                   | -              | -  | -                        | -                   | (436)            |
| Depreciation                                  | (5,592)       | (16,698)            | (11,531)           | (26,349)          | (26,019)            | (738)          | (1,000)                                      | -                        | (19,626)            | (107,553)        |
| <b>Closing net book amount</b>                | <b>64,576</b> | <b>833,426</b>      | <b>380,379</b>     | <b>187,314</b>    | <b>128,344</b>      | <b>2,035</b>   | <b>3,349</b>                                 | <b>26,181</b>            | <b>223,920</b>      | <b>1,849,524</b> |
| <b>At 31 December 2020 and 1 January 2021</b> |               |                     |                    |                   |                     |                |  |                          |                     |                  |
| Cost  | 108,190       | 961,046             | 557,602            | 571,639           | 319,128             | 6,284          | 13,910                                       | 26,181                   | 262,646             | 2,826,626        |
| Accumulated depreciation                      | (43,614)      | (127,620)           | (177,223)          | (384,325)         | (190,784)           | (4,249)        | (10,561)                                     | -                        | (38,726)            | (977,102)        |
| <b>Net book amount</b>                        | <b>64,576</b> | <b>833,426</b>      | <b>380,379</b>     | <b>187,314</b>    | <b>128,344</b>      | <b>2,035</b>   | <b>3,349</b>                                 | <b>26,181</b>            | <b>223,920</b>      | <b>1,849,524</b> |
| <b>Year ended 31 December 2021</b>            |               |                     |                    |                   |                     |                |  |                          |                     |                  |
| Opening net book amount                       | 64,576        | 833,426             | 380,379            | 187,314           | 128,344             | 2,035          | 3,349  | 26,181                   | 223,920             | 1,849,524        |
| Additions                                     | 186           | -                   | -                  | 395               | 172                 | 7,058          | 799  | 3,486                    | 34,828              | 46,924           |
| Lease modification                            | -             | -                   | -                  | -                 | -                   | -              | -  | -                        | 15,978              | 15,978           |
| Transfers                                     | 11,816        | -                   | (188)              | 12,600            | 4,335               | -              | 27   | (28,590)                 | -                   | -                |
| Disposals                                     | -             | -                   | -                  | (149)             | -                   | -              | -  | -                        | -                   | (149)            |
| Depreciation                                  | (5,952)       | (21,087)            | (11,773)           | (28,067)          | (26,502)            | (833)          | (571)  | -                        | (19,677)            | (114,462)        |
| <b>Closing net book amount</b>                | <b>70,626</b> | <b>812,339</b>      | <b>368,418</b>     | <b>172,093</b>    | <b>106,349</b>      | <b>8,260</b>   | <b>3,604</b>                                 | <b>1,077</b>             | <b>255,049</b>      | <b>1,797,815</b> |
| <b>At 31 December 2021</b>                    |               |                     |                    |                   |                     |                |  |                          |                     |                  |
| Cost  | 120,192       | 961,046             | 557,414            | 581,658           | 323,635             | 13,342         | 14,736                                       | 1,077                    | 313,452             | 2,886,552        |
| Accumulated depreciation                      | (49,566)      | (148,707)           | (188,996)          | (409,565)         | (217,286)           | (5,082)        | (11,132)                                     | -                        | (58,403)            | (1,088,737)      |
| <b>Net book amount</b>                        | <b>70,626</b> | <b>812,339</b>      | <b>368,418</b>     | <b>172,093</b>    | <b>106,349</b>      | <b>8,260</b>   | <b>3,604</b>                                 | <b>1,077</b>             | <b>255,049</b>      | <b>1,797,815</b> |



## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021 and 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

|   | Carrying amount                      |                                    | Depreciation                                      |
|---|--------------------------------------|------------------------------------|---|
|   | As at<br>31 December 2021<br>RMB'000 | As at<br>1 January 2021<br>RMB'000 | For the year ended<br>31 December 2021<br>RMB'000 |
| Buildings                                   | 1,145                                | 516                                | 319   |
| Terminal facilities                         | 20,891                               | –                                  | 10,445  |
| Storage yards                               | 189,535                              | 194,364                            | 4,829   |
| Storage facilities                          | 16,087                               | 3,738                              | 2,681   |
| Prepaid lease payments – storage facilities | 2,625                                | 3,063                              | 438   |
| Land use rights                             | 21,634                               | 22,239                             | 605   |
| Machinery equipment                         | 3,132                                | –                                  | 360   |
|   | <b>255,049</b>                       | <b>223,920</b>                     | <b>19,677</b>                                     |

|   | Carrying amount                      |                                    | Depreciation                                      |
|---|--------------------------------------|------------------------------------|---|
|   | As at<br>31 December 2020<br>RMB'000 | As at<br>1 January 2020<br>RMB'000 | For the year ended<br>31 December 2020<br>RMB'000 |
| Buildings                                   | 516                                  | 841                                | 325   |
| Terminal facilities                         | –                                    | 10,466                             | 10,466  |
| Storage yards                               | 194,364                              | 199,192                            | 4,828   |
| Storage facilities                          | 3,738                                | 5,608                              | 1,870   |
| Prepaid lease payments – storage facilities | 3,063                                | 4,594                              | 1,531   |
| Land use rights                             | 22,239                               | 22,845                             | 606   |
|   | <b>223,920</b>                       | <b>243,546</b>                     | <b>19,626</b>                                     |

During the year ended 31 December 2021, the total additions and lease modification to right-of-use assets included in property, plant and equipment amounting to RMB34,828,000 (2020: Nil) and RMB15,978,000 (2020: Nil) respectively. Due to regular review of the Company's operations, the Company reviewed the leases at 1 January 2021 and concluded that the Company is reasonably certain to renew certain lease agreements in relation to storage facilities, buildings and terminal facilities. The right-of-use assets increased by approximately RMB15,978,000 during the year ended 31 December 2021 as a result of the modification.

The details in relation to these leases are set out in note 28.

As at 31 December 2021, the net carrying amounts for buildings located in the PRC of RMB70,626,000 (2020: RMB64,576,000) were erected on storage yards under lease arrangement with intermediate holding company, Rizhao Port Group Co., Ltd ("Rizhao Port Group") as set in note 28.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 18. INVESTMENT PROPERTIES

|   | <b>Terminal facilities</b> |
|---|----------------------------|
|   | <i>RMB'000</i>             |
| <b>At 1 January 2020</b>                      |                            |
| Cost  | 399,318                    |
| Accumulated depreciation                      | (88,547)                   |
| <b>Net book amount</b>                        | <b>310,771</b>             |
| <b>Year ended 31 December 2020</b>            |                            |
| Opening net book amount                       | 310,771                    |
| Depreciation                                  | (7,775)                    |
| <b>Closing net book amount</b>                | <b>302,996</b>             |
| <b>At 31 December 2020 and 1 January 2021</b> |                            |
| Cost  | 399,318                    |
| Accumulated depreciation                      | (96,322)                   |
| <b>Net book amount</b>                        | <b>302,996</b>             |
| <b>Year ended 31 December 2021</b>            |                            |
| Opening net book amount                       | <b>302,996</b>             |
| Depreciation                                  | <b>(7,775)</b>             |
| <b>Closing net book amount</b>                | <b>295,221</b>             |
| <b>At 31 December 2021</b>                    |                            |
| Cost  | <b>399,318</b>             |
| Accumulated depreciation                      | <b>(104,097)</b>           |
| <b>Net book amount</b>                        | <b>295,221</b>             |

As at 31 December 2021, the fair value of the Company's investment properties was RMB362,877,000 (2020: RMB349,833,000). The fair value has been arrived at on the basis of a valuation carried out by the management's expertise (2020: management's expertise) who have the relevant experience to determine the fair value of the Company's investment properties.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 18. INVESTMENT PROPERTIES (CONTINUED)

Taking into considerations that the underlying land use right of the investment properties is leased from the related party as detailed in note 28 and the lack of comparable market information for similar lease arrangement, the corresponding properties have been valued by the cost approach with reference to their depreciated replacement cost, which falls into the category of fair value measurement using significant unobservable inputs (Level 3) including replacement costs, estimated useful life, etc. The directors of the Company are of the view that it is the best estimate of the fair value of these investment properties.

#### Details of the investment properties

As at 31 December 2021 and 2020, the Company held investment properties as follows:

| No. | Name of investment property | Location  | Existing use           | Term of leasehold land |
|-----|-----------------------------|---|------------------------|------------------------|
| 1.  | West-4                      | Shijiu Port Area, Rizhao City, Shandong Province, PRC | Berth                  | Medium-term            |
| 2.  | Woodchips-2                 | Shijiu Port Area, Rizhao City, Shandong Province, PRC | Berth                  | Medium-term            |
| 3.  | Woodchips-3                 | Shijiu Port Area, Rizhao City, Shandong Province, PRC | Berth                  | Medium-term            |
| 4.  | West-1                      | Shijiu Port Area, Rizhao City, Shandong Province, PRC | Berth and storage yard | Medium-term            |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 19. INTANGIBLE ASSETS

|   | Software<br>RMB'000 | Rights to use<br>sea area<br>RMB'000 | Total<br>RMB'000 |
|---|---------------------|--------------------------------------|------------------|
| <b>At 1 January 2020</b>                      |                     |                                      |                  |
| Cost  | 2,719               | 18                                   | 2,737            |
| Accumulated amortisation                      | (848)               | (1)                                  | (849)            |
| <b>Net book amount</b>                        | <b>1,871</b>        | <b>17</b>                            | <b>1,888</b>     |
| <b>Year ended 31 December 2021</b>            |                     |                                      |                  |
| Opening net book amount                       | 1,871               | 17                                   | 1,888            |
| Additions                                     | 1,306               | –                                    | 1,306            |
| Amortisation                                  | (283)               | (1)                                  | (284)            |
| <b>Closing net book amount</b>                | <b>2,894</b>        | <b>16</b>                            | <b>2,910</b>     |
| <b>At 31 December 2020 and 1 January 2021</b> |                     |                                      |                  |
| Cost  | 4,025               | 18                                   | 4,043            |
| Accumulated amortisation                      | (1,131)             | (2)                                  | (1,133)          |
| <b>Net book amount</b>                        | <b>2,894</b>        | <b>16</b>                            | <b>2,910</b>     |
| <b>Year ended 31 December 2021</b>            |                     |                                      |                  |
| Opening net book amount                       | <b>2,894</b>        | <b>16</b>                            | <b>2,910</b>     |
| Additions                                     | <b>327</b>          | <b>–</b>                             | <b>327</b>       |
| Amortisation                                  | <b>(430)</b>        | <b>(1)</b>                           | <b>(431)</b>     |
| <b>Closing net book amount</b>                | <b>2,791</b>        | <b>15</b>                            | <b>2,806</b>     |
| <b>At 31 December 2021</b>                    |                     |                                      |                  |
| Cost  | <b>4,352</b>        | <b>18</b>                            | <b>4,370</b>     |
| Accumulated amortisation                      | <b>(1,561)</b>      | <b>(3)</b>                           | <b>(1,564)</b>   |
| <b>Net book amount</b>                        | <b>2,791</b>        | <b>15</b>                            | <b>2,806</b>     |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 20. OTHER NON-CURRENT ASSETS

|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|-----------------|-----------------|
| Taxes prepaid for rental income from properties under operating lease arrangement ( <i>note</i> ) | 1,107           | 1,242           |

*Note:* Taxes prepaid represents the business tax and surcharges paid related to the advance received of lease payments as set out in note 29.

### 21. INVENTORIES

|                                | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--------------------------------|-----------------|-----------------|
| Low value consumables, at cost | 3,350           | 3,912           |

### 22. TRADE AND OTHER RECEIVABLES

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Trade receivables                                |                 |                 |
| – Due from related parties ( <i>note 35(c)</i> ) | 16,200          | 2,083           |
| – Due from third parties                         | 15,658          | 21,892          |
|  | <b>31,858</b>   | 23,975          |
| Less: ECL allowance of trade receivables         | (672)           | (588)           |
|  | <b>31,186</b>   | 23,387          |
| Prepayments                                      | 690             | 686             |
| Value-added tax receivables                      | –               | 23,939          |
|  | <b>690</b>      | 24,625          |
| Total trade and other receivables                | <b>31,876</b>   | 48,012          |

The directors of the Company consider that the fair values of the trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company grants a credit period ranging from 15 to 90 days to its customers. Based on the invoice dates, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

|              | <b>2021</b><br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--------------|-------------------------------|------------------------|
| 0 – 30 days  | <b>26,997</b>                 | 17,911                 |
| 31 – 60 days | <b>259</b>                    | 1,766                  |
| 61 – 90 days | <b>2,158</b>                  | 3,689                  |
| Over 90 days | <b>1,772</b>                  | 21                     |
|              | <b>31,186</b>                 | 23,387                 |

The movement in the ECL allowance of trade receivables is as follows:

|   | <b>2021</b><br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Balance at 1 January                                | <b>588</b>                    | 847                    |
| ECL allowance recognised/(reversed) during the year | <b>84</b>                     | (259)                  |
| Balance at 31 December                              | <b>672</b>                    | 588                    |

### 23. BILLS RECEIVABLE AT FVTOCI

The following is the ageing analysis of the bills receivables based on the maturity date:

|                                   | <b>2021</b><br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------------------------------|-------------------------------|------------------------|
| Within 3 months                   | <b>2,261</b>                  | 9,700                  |
| Over 3 months but within 6 months | <b>1,100</b>                  | 1,300                  |
|                                   | <b>3,361</b>                  | 11,000                 |

As at 31 December 2021, the Company had transferred to suppliers by endorsing the bills receivables of RMB9,278,000 (2020: RMB10,964,000). As those bills are issued by banks with high credit ratings assigned by international credit-rating agencies, the directors of the Company had assessed and satisfied that the Company had transferred substantially all of the risks and rewards relating to those bills. The Company had derecognised the full carrying amount of the bills receivables and the corresponding trade payables.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 23. BILLS RECEIVABLE AT FVTOCI (CONTINUED)

At 31 December 2021, the Company transferred certain bills receivable accepted by banks with a carrying amount of RMB3,361,000 (2020: RMB8,300,000) to certain of its suppliers. In the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks relating to such bills transferred, and accordingly, it continued to recognise the full carrying amount of the these bills transferred and the associated payables settled.

The fair value measurements of the Company's bills receivable has been measured as described in note 38.5.

### 24. CONTRACT ASSETS

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Provision of stevedoring service       | 3,561                  | 1,528                  |
| Less: ECL allowance of contract assets | (77)                   | (38)                   |
|  | <b>3,484</b>           | 1,490                  |

*Note:* The contract assets primarily relate to the Company's right to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the corresponding billing is issued.

The movement in the ECL allowance of contract assets is as follows:

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Balance at 1 January                     | 38                     | 38                     |
| ECL allowance recognised during the year | 39                     | –                      |
| Balance at 31 December                   | <b>77</b>              | 38                     |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances carried interest at prevailing market interest rates ranging from 0.3% – 1.89% (2020: 0.35% – 1.35%) per annum during the year ended 31 December 2021. All cash and cash equivalents balances are denominated in RMB.

At 31 December 2021, cash and cash equivalents balances comprised of cash deposited in Rizhao Port Group Finance Co., Ltd. (日照港集團財務有限公司) (“RPG Finance”), a subsidiary of Shandong Port Group, amounting to RMB176,400,000 (2020: RMB128,032,000).

### 26. TRADE AND OTHER PAYABLES

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Trade payables   |                        |                        |
| – Due to related parties ( <i>note 35(c)</i> )         | 7,906                  | 1,740                  |
| – Due to third parties                                 | 10,430                 | 5,565                  |
|  | <b>18,336</b>          | 7,305                  |
| Other payables   |                        |                        |
| – Amounts due to related parties ( <i>note 35(c)</i> ) | 2,320                  | 13,761                 |
| – Other tax payables                                   | 880                    | –                      |
| – Payroll payable                                      | 4,885                  | 3,293                  |
| – Retention payable due within one year                | 6,362                  | 7,280                  |
| – Other payables                                       | 10,249                 | 2,505                  |
|  | <b>24,696</b>          | 26,839                 |
| Total trade and other payables                         | <b>43,032</b>          | 34,144                 |



## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 26. TRADE AND OTHER PAYABLES (CONTINUED)

The Company was granted by its suppliers credit periods ranging 30 to 90 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

|              | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--------------|------------------------|------------------------|
| 0 – 30 days  | 15,975                 | 5,803                  |
| 31 – 60 days | 2,272                  | 494                    |
| 61 – 90 days | –                      | 376                    |
| Over 90 days | 89                     | 632                    |
|              | <b>18,336</b>          | 7,305                  |

All amounts are short-term and hence the carrying values of the Company's trade and other payables are considered to be a reasonable approximation of fair value.

### 27. CONTRACT LIABILITIES

|                             | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------------------------|------------------------|------------------------|
| Amounts received in advance |                        |                        |
| – Provision of services     | 14,320                 | 150                    |

Contract liabilities represent the deposits received from the customers in advance of rendering services to customers.

The significant increase of contract liabilities as at 31 December 2021 was due to increase in advance payments received from contract customers.

There was no revenue recognised in the reporting period that related to performance obligation that were satisfied in prior year. The contracts with customers in respect of the above contract liabilities have an original expected duration of less than one year and all consideration from contracts with customers have been included in the transaction price. The analysis on remaining performance obligations is therefore not presented.

Contract liabilities outstanding at the beginning of the year amounting to RMB150,000 (2020: RMB84,000) have been recognised as revenue during the year.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 28. LEASE LIABILITIES

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Total minimum lease payments (include renewal option that are reasonably certain to be exercised): |                        |                        |
| Due within 1 year  | 34,954                 | 22,929                 |
| Due within 1 to 2 years  | 36,259                 | 22,779                 |
| Due within 2 to 5 years  | 93,427                 | 61,098                 |
| Due more than 5 years  | 579,832                | 614,605                |
|  | <b>744,472</b>         | 721,411                |
| Less: future lease liabilities finance charges   | <b>(498,292)</b>       | (513,536)              |
| Present value of lease liabilities   | <b>246,180</b>         | 207,875                |
|  |                        |                        |
|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
| Present value of minimum lease payments:   |                        |                        |
| Due within 1 year  | 13,260                 | 2,677                  |
| Due within 1 to 2 years  | 15,218                 | 2,724                  |
| Due within 2 to 5 years  | 13,621                 | 1,679                  |
| Due more than 5 years  | 204,081                | 200,795                |
|  | <b>246,180</b>         | 207,875                |
| Less: payment due within 1 year (presented under current liabilities)                              | <b>(13,260)</b>        | (2,677)                |
| Payment due after 1 year   | <b>232,920</b>         | 205,198                |

*Note:* Included in the above balance, the present value of RMB221,822,000 (2020: RMB207,875,000), RMB2,770,000 (2020: Nil) and RMB21,371,000 (2020: Nil) with total minimum lease payments of RMB718,612,000 (2020: RMB721,411,000), RMB3,212,000 (2020: Nil) and RMB22,422,000 (2020: Nil) represent lease liabilities payable to Rizhao Port Group, Rizhao Port Handling and Rizhao Port, respectively.

During the year ended 31 December 2021, the total cash outflow for the leases are RMB75,201,000 (2020: RMB45,411,000).

As at 31 December 2021, lease liabilities amounting to RMB246,180,000 (2020: RMB207,875,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Company.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 28. LEASE LIABILITIES (CONTINUED)

#### Details of the lease activities

As at 31 December 2021 and 2020, the Company has entered into leases for the items listed as follows:

| Types of right-of-use assets                | Financial statements items of right-of-use assets included in | Number of leases | Range of remaining lease term    | Particulars   |
|---|---|------------------|----------------------------------|---|
| Buildings                                   | Property, plant and equipment                                 | 1 (2020: 1)      | 3.58 years<br>(2020: 1.5 years)  | <ul style="list-style-type: none"> <li>Only subject to monthly fixed rental payment</li> </ul>  |
| Terminal facilities                         | Property, plant and equipment                                 | 1 (2020: Nil)    | 2 year<br>(2020: Nil)            | <ul style="list-style-type: none"> <li>Contract contains an option to terminate the lease by giving one month notice to the landlord</li> <li>Variable lease payments of 50% annual revenue generated by the terminal facilities</li> </ul> |
| Storage yards                               | Property, plant and equipment                                 | 2 (2020: 2)      | 39.2 years<br>(2020: 40.5 years) | <ul style="list-style-type: none"> <li>Contracts contain an option to renew the lease for additional 30 years on the expiry of the original contracts</li> <li>Only subject to monthly fixed rental payment</li> </ul>                      |
| Storage facilities                          | Property, plant and equipment                                 | 1 (2020:1)       | 6 years<br>(2020: 2 years)       | <ul style="list-style-type: none"> <li>Only subject to yearly fixed rental payment</li> </ul>   |
| Prepaid lease payments – storage facilities | Property, plant and equipment                                 | 2 (2020: 2)      | 6 years<br>(2020: 2 years)       | <ul style="list-style-type: none"> <li>All lease payments were prepaid upon entering the contracts</li> </ul>   |
| Land use rights in PRC                      | Property, plant and equipment                                 | 1 (2020:1)       | 36.5 years<br>(2020: 37.5 years) | <ul style="list-style-type: none"> <li>All lease payments were prepaid upon obtained the land use rights certificate</li> </ul>   |
| Machinery equipment                         | Property, plant and equipment                                 | 3 (2020: Nil)    | 1.87 – 5.42 years<br>(2020: Nil) | <ul style="list-style-type: none"> <li>Only subject to yearly fixed rental payment</li> </ul>   |

The Company considered the renewal option of buildings, terminal facilities, storage yards, storage facilities and a machinery equipment are reasonably certain to be exercised because the leases are critical to the Company's main operation. The Company considered that no extension option or termination option in the other lease contracts would be exercised at the lease commencement date.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 29. ADVANCE PAYMENTS FROM LEASE CONTRACT

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Lease payments received in advance   | 19,594          | 21,969          |
| Less: Classified as current liabilities – Advance payments from lease contract | (2,375)         | (2,375)         |
| Non-current portion of lease payments  | 17,219          | 19,594          |

### 30. DEFERRED TAX

The movement during the year in the deferred tax assets/(liabilities) is as follows:

|  | Loss allowance<br>for receivables<br>and contract<br>assets<br>RMB'000 | Accrued<br>expenses<br>RMB'000 | Temporary<br>difference<br>arising from<br>depreciation of<br>property, plant<br>and equipment<br>RMB'000 | Total<br>RMB'000 |
|--|--|--------------------------------|---|------------------|
| At 1 January 2020                      | 212  | (66)                           | (6,596)   | (6,450)          |
| Credited to profit or loss (note 14)   | (55)   | 66                             | 777   | 788              |
| At 31 December 2020 and 1 January 2021 | 157  | –                              | (5,819)   | (5,662)          |
| Credited to profit or loss (note 14)   | 30   | –                              | 1,332   | 1,362            |
| <b>At 31 December 2021</b>             | <b>187</b>   | <b>–</b>                       | <b>(4,487)</b>  | <b>(4,300)</b>   |

### 31. SHARE CAPITAL

|  | Domestic<br>shares | H shares    | Number of<br>shares | RMB'000   |
|--|--------------------|-------------|---------------------|-----------|
| Issued and fully paid-up ordinary shares with par value of RMB1 each |                    |             |                     |           |
| At 1 January 2020 and 1 January 2021 and 31 December 2021            | 840,000,000        | 820,000,000 | 1,660,000,000       | 1,660,000 |

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 32. RESERVES

### (a) Share premium

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value.

### (b) Capital reserve

The capital reserve represents the transferred of retained earnings and statutory reserve of the Company upon conversion to a joint stock limited liability company in the PRC in 2018.

### (c) Statutory reserve

In accordance with the relevant laws and regulations for the Company, it is required to transfer at least 10% of its annual net profit determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 33. LEASE ARRANGEMENT

#### As lessor

At 31 December 2021 and 2020, the Company had future aggregate minimum lease receivables under non-cancellable operating leases in respect of premises as follows:

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Within one year                         | 73,942                 | 73,956                 |
| After one year but with two years       | 73,942                 | 73,942                 |
| After two years but within three years  | 73,942                 | 73,941                 |
| After three years but within four years | 73,941                 | 73,941                 |
| After four years but within five years  | 73,941                 | 73,941                 |
| Over five years                         | 268,959                | 342,901                |
|   | <b>638,667</b>         | 712,622                |

Operating lease receivables represents rental receivable by the Company for its properties under operating lease arrangements. Lease are negotiated with fixed lease term ranging 17 to 30 years (including renewal periods).

### 34. CAPITAL COMMITMENTS

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Capital expenditure contracted but not provided for acquisition of property, plant and equipment | 74,754                 | 74,457                 |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 35. CONNECTED AND RELATED PARTY TRANSACTIONS

The Company's accounting policies on related parties are disclosed in note 2.21. In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Company had the following material transactions with related parties:

**(a) During the year, the connected and related parties that had transactions with the Company were as follows:**

| Name of related parties  | Relationship with the Company    |
|--|----------------------------------|
| Rizhao Port Group  | Intermediate holding company     |
| Rizhao Port  | Immediate holding company        |
| Rizhao Port Information Technology Co., Ltd.# (日照口岸信息技術有限公司) (“ <b>Rizhao Port Information</b> ”)  | Fellow subsidiary of the Company |
| Shandong Gangwan Construction Group Co., Ltd.# (山東港灣建設集團有限公司) (“ <b>Shandong Gangwan</b> ”)  | Fellow subsidiary of the Company |
| Rizhao Port Construction and Supervision Co., Ltd.# (日照港建設監理有限公司) (“ <b>Rizhao Port Supervision</b> ”)                                     | Fellow subsidiary of the Company |
| Rizhao Port Machinery Engineering Co., Ltd.# (日照港機械工程有限公司) (“ <b>Rizhao Port Machinery</b> ”)  | Fellow subsidiary of the Company |
| Shandong Port Technologies Group Rizhao Co., Ltd.# (山東港口科技集團日照有限公司) (“ <b>Shandong Technologies</b> ”)                                     | Fellow subsidiary of the Company |
| Rizhao Port Handling Co., Ltd.# (日照海港裝卸有限公司) (“ <b>Rizhao Port Handling</b> ”)   | Fellow subsidiary of the Company |
| Rizhao Zhongran Marine Fuel Supply Co., Ltd.# (日照中燃船舶燃料供應有限公司) (“ <b>Rizhao Zhongran Marine Fuel</b> ”)                                    | Fellow subsidiary of the Company |
| Rizhao Port Container Development Co., Ltd.# (日照港集裝箱發展有限公司) (“ <b>Rizhao Port Container</b> ”)   | Fellow subsidiary of the Company |
| Rizhao Port Group Finance Co., Ltd. (日照港集團財務有限公司) (“ <b>RPG Finance</b> ”)   | Fellow subsidiary of the Company |
| Rizhao Port Property Co., Ltd. Youth Hostel (日照港物業有限公司青年公寓) (“ <b>Rizhao Port Youth Hostel</b> ”)  | Fellow subsidiary of the Company |
| Shandong Lanxiang Construction Engineering Co. Ltd. (山東藍像建築工程有限公司) (“ <b>Shandong Lanxiang</b> ”)  | Fellow subsidiary of the Company |
| Rizhao Port Lanshan Port Services Co., Ltd.# (日照港股份有限公司嵐山港務有限公司) (“ <b>Rizhao Port Lanshan</b> ”)  | Fellow subsidiary of the Company |
| Shandong Port International Trade Group Rizhao Co., Ltd.# (山東港口國際貿易集團日照有限公司) (“ <b>Shandong Port International Trade Rizhao Company</b> ”) | Fellow subsidiary of the Company |

# The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(b) During the year, the material transactions with related parties of the Company were as follows:

|  |   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|---|-----------------|-----------------|
| Rizhao Port Group                                | Interest paid on lease liabilities                                      | 20,898          | 20,437          |
| Rizhao Port Group                                | Procurement of logistics service <i>(note)</i>                          | 11,470          | 10,500          |
| Rizhao Port Group                                | Stevedoring and port related Services income <i>(note)</i>              | 8,446           | –               |
| Rizhao Port Group                                | Procurement of port related services <i>(note)</i>                      | 11,329          | –               |
| Rizhao Port                                      | Interest paid on lease liabilities                                      | 1,247           | 388             |
| Rizhao Port                                      | Procurement of utility services and berth leasing expense <i>(note)</i> | 21,393          | 23,204          |
| Rizhao Port Container                            | Berth leasing income <i>(note)</i>                                      | 16,024          | 7,282           |
| Shandong Gangwan                                 | Procurement of construction service                                     | 1,358           | 24,866          |
| Rizhao Port Handling                             | Procurement of port related services <i>(note)</i>                      | 65,517          | 49,381          |
| Rizhao Port Handling                             | Interest paid on lease liabilities                                      | 98              | –               |
| Rizhao Zhongran Marine Fuel                      | Procurement of utility services <i>(note)</i>                           | 5,851           | 3,997           |
| RPG Finance                                      | Interest income <i>(note)</i>   | 2,734           | 874             |
| Rizhao Port Power                                | Procurement on utility services <i>(note)</i>                           | 22,310          | 19,302          |
| Rizhao Port Lanshan                              | Procurement of port related services <i>(note)</i>                      | 21,058          | 13,346          |
| Shandong Port International Trade Rizhao Company | Stevedoring and port related Services income <i>(note)</i>              | 13,363          | 2,038           |

*Note:* The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.



# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Related party balances

#### Amounts due to related parties (non-trade nature)

|                         | <b>2021</b>    | 2020    |
|-------------------------|----------------|---------|
|                         | <b>RMB'000</b> | RMB'000 |
| Rizhao Port Machinery   | <b>84</b>      | 238     |
| Shandong Technologies   | <b>17</b>      | 17      |
| Rizhao Port Supervision | <b>18</b>      | 30      |
| Shandong Gangwan        | <b>2,120</b>   | 13,433  |
| Rizhao Port Information | <b>40</b>      | 18      |
| Rizhao Port Group       | <b>10</b>      | –       |
| Rizhao Port Handling    | <b>6</b>       | –       |
| Shandong Lanxiang       | <b>25</b>      | 25      |
|                         | <b>2,320</b>   | 13,761  |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Related party balances (Continued)

##### Amount due from related parties (trade nature)

|                       | <b>2021</b>    | 2020    |
|-----------------------|----------------|---------|
|                       | <b>RMB'000</b> | RMB'000 |
| Rizhao Port Group     | –              | 539     |
| Rizhao Port           | –              | 1,544   |
| Rizhao Port Container | <b>16,200</b>  | –       |
|                       | <b>16,200</b>  | 2,083   |

##### Amount due to related parties (trade nature)

|                       | <b>2021</b>    | 2020    |
|-----------------------|----------------|---------|
|                       | <b>RMB'000</b> | RMB'000 |
| Rizhao Port Lanshan   | –              | 200     |
| Rizhao Port Handling  | <b>3,362</b>   | 1,540   |
| Rizhao Port Container | <b>4,544</b>   | –       |
|                       | <b>7,906</b>   | 1,740   |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Related party balances (Continued)

##### Prepayments to related parties for procurement on utility services

|                             | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------------------------|------------------------|------------------------|
| Rizhao Zhongran Marine Fuel | 120                    | 297                    |
| Rizhao Port Group           | 65                     | –                      |
| Rizhao Port Youth Hostel    | –                      | 77                     |
|                             | <b>185</b>             | 374                    |

##### Lease liabilities payables

|                      | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|----------------------|------------------------|------------------------|
| Rizhao Port          | 21,371                 | –                      |
| Rizhao Port Handling | 2,770                  | –                      |
| Rizhao Port Group    | 221,822                | 207,875                |
|                      | <b>245,963</b>         | 207,875                |

##### Right-of-use assets – Prepaid lease payments

|                   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Rizhao Port Group | 2,625                  | 3,063                  |

The amounts due are unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Cash and cash equivalents balances placed with related company

|             | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-------------|------------------------|------------------------|
| RPG Finance | 176,400                | 128,032                |

#### (e) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Salaries, allowances and benefits in kind | 2,288                  | 2,030                  |
| Pension contributions                     | 654                    | 396                    |
|   | 2,942                  | 2,426                  |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company arising from financing activities can be classified as follows:

|  | Bank<br>borrowings<br><i>RMB'000</i> | Interest<br>payables<br><i>RMB'000</i> | Amounts due<br>to related parties<br><i>RMB'000</i> | Lease<br>liabilities<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--------------------------------------|--|---|--|-------------------------|
| <b>1 January 2021</b>                    | -                                    | -                                      | 13,761  | 207,875                                | 221,636                 |
| Cash-flows:                              |                                      |  |   |  |                         |
| - Repayment                              | -                                    | -                                      | (26,516)  | -                                      | (26,516)                |
| - Proceeds                               | -                                    | -                                      | 15,075  | -                                      | 15,075                  |
| - Capital element of lease rentals paid  | -                                    | -                                      | -   | (12,501)                               | (12,501)                |
| - Interest element of lease rentals paid | -                                    | -                                      | -   | (22,245)                               | (22,245)                |
| Non-cash:                                |                                      |  |   |  |                         |
| - Interest expenses                      | -                                    | -                                      | -   | 22,245                                 | 22,245                  |
| - Entering into new leases               | -                                    | -                                      | -   | 34,828                                 | 34,828                  |
| - Leases modification                    | -                                    | -                                      | -   | 15,978                                 | 15,978                  |
| <b>31 December 2021</b>                  | -                                    | -                                      | 2,320   | 246,180                                | 248,500                 |
| 1 January 2020                           | 100,000                              | -                                      | 14,672  | 221,187                                | 335,859                 |
| Cash-flows:                              |                                      |  |   |  |                         |
| - Repayment                              | (100,000)                            | (3,572)                                | (14,309)  | -                                      | (117,881)               |
| - Proceeds                               | -                                    | -                                      | 13,398  | -                                      | 13,398                  |
| - Capital element of lease rentals paid  | -                                    | -                                      | -   | (13,312)                               | (13,312)                |
| - Interest element of lease rentals paid | -                                    | -                                      | -   | (20,825)                               | (20,825)                |
| Non-cash:                                |                                      |  |   |  |                         |
| Interest expenses                        | -                                    | 3,572                                  | -   | 20,825                                 | 24,397                  |
| 31 December 2020                         | -                                    | -                                      | 13,761  | 207,875                                | 221,636                 |

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 37. NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the financial statements, during the year, the Company had the following major non-cash transactions:

- (i) During the year ended 31 December 2021, the Company entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB34,828,000 was recognised at the lease commencement date.
- (ii) During the year ended 31 December 2021, the Company reviewed the potential renewal of certain lease agreement to extend the lease term for further 3 to 5 years. The effect of the modification of the leases are to increase the right-of-use assets and lease liabilities at date of modification amounting to RMB15,978,000.

### 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

In light of the simplicity of the operations, the risk management of the Company is carried out by the board of directors (the "**Board**") directly. The Board generally adopts conservative strategies on its risk management and limits the Company's exposure to these risks to a minimum.

There has been no change to the types of the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

#### 38.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| <b>Financial assets</b>                 |                        |                        |
| Financial assets at amortised cost      |                        |                        |
| – Trade and other receivables           | 31,186                 | 23,387                 |
| – Cash and cash equivalents             | 592,669                | 280,280                |
| Financial assets at FVTOCI              |                        |                        |
| – Bills receivable at FVTOCI            | 3,361                  | 11,000                 |
|   | <b>627,216</b>         | 314,667                |
| <b>Financial liabilities</b>            |                        |                        |
| Financial liabilities at amortised cost |                        |                        |
| – Trade and other payables              | 42,152                 | 34,144                 |
| – Lease liabilities                     | 246,180                | 207,875                |
|   | <b>288,332</b>         | 242,019                |

#### 38.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value interest rate risk in relation to lease liabilities. The Company is also exposed to cash flow interest rate risk in relation to floating-rate balances deposited with banks and financial institution. No sensitivity analysis was prepared for bank balances as the financial impact arising on changes in interest rates was minimal due to limited changes in interest rate. The Company currently does not have any interest rate hedging policy. The Company manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

#### 38.3 Liquidity risk

Liquidity risk refers to the risk in which the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The management of the Company monitors the Company's cash flow positions on a regular basis to ensure the cash flows of the Company are positive and strictly controlled. The Company aims to maintain flexibility and shareholders' capital contributions in funding by keeping committed credit limits available.

The following table details the Company's remaining contract period for its non-derivative financial liabilities based on the agreed repayment terms or the estimated repayment schedule if certain covenant is breached. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows:

|                            | Within<br>1 year or<br>on demand<br><i>RMB'000</i> | Between 1<br>and 2 years<br><i>RMB'000</i> | Between<br>2 to 5 years<br><i>RMB'000</i> | Over<br>5 years<br><i>RMB'000</i> | Total<br>undiscounted<br>amount<br><i>RMB'000</i> | Carrying<br>amount<br><i>RMB'000</i> |
|----------------------------|--|--|---|-----------------------------------|---|--------------------------------------|
| <b>At 31 December 2021</b> |  |  |   |                                   |   |                                      |
| Trade and other payables   | 42,152   | -  | -   | -                                 | 42,152  | 42,152                               |
| Lease liabilities          | 34,954   | 36,259                                     | 93,427                                    | 579,832                           | 744,472   | 246,180                              |
|                            | <b>77,106</b>                                      | <b>36,259</b>                              | <b>93,427</b>                             | <b>579,832</b>                    | <b>786,624</b>                                    | <b>288,332</b>                       |
| <b>At 31 December 2020</b> |  |  |   |                                   |   |                                      |
| Trade and other payables   | 34,144   | -  | -   | -                                 | 34,144  | 34,144                               |
| Lease liabilities          | 22,929   | 22,779                                     | 61,098                                    | 614,605                           | 721,411   | 207,875                              |
|                            | 57,073   | 22,779                                     | 61,098                                    | 614,605                           | 755,555   | 242,019                              |



# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

### 38.4 Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Company's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 38.1.

#### (i) Trade receivables and contract assets

The Company trades only with recognised and creditworthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover balances.

The Company has applied the simplified approach in IFRS 9 to measure the impairment loss at lifetime ECL. The Company determines that the ECL on these items is estimated on an individual basis for customers with significant balance based on historical credit loss experience during the period. At each reporting date, the historical default rates are updated based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions (including the change in economic environment arising from COVID-19) at the reporting date.

The Company writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For years ended 31 December 2021 and 2020, none of the trade receivables and contract assets that had been written off as the directors of the Company assessed that no counterparties were in severe financial difficulty and the prospect of recovery was still realistic.

In order to minimise credit risk, the Company has tasked its operation management committee to develop and maintain the Company's credit risk rating to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The following table provides information about the exposure to credit risk for gross trade receivables and contract assets which are assessed on an individual basis for customers with significant balance as at 31 December 2021 and 2020 within lifetime ECL (not credit impaired).

## Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

### 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

#### 38.4 Credit risk (Continued)

##### (i) Trade receivables and contract assets (Continued)

Internal credit rating

|                            | Average<br>loss rate<br>% | Trade<br>receivables<br>RMB'000 | Contract<br>assets<br>RMB'000 |
|----------------------------|---------------------------|---------------------------------|-------------------------------|
| <b>At 31 December 2021</b> |                           |                                 |                               |
| Low risk                   | 0.09-1.98%                | 15,658                          | 3,561                         |
| Watch list                 | 5.76%                     | 16,200                          | –                             |
|                            |                           | <b>31,858</b>                   | <b>3,561</b>                  |
| <b>At 31 December 2020</b> |                           |                                 |                               |
| Low risk                   | 0.12-2.35%                | 17,815                          | 1,528                         |
| Watch list                 | 7.18%                     | 6,160                           | –                             |
|                            |                           | 23,975                          | 1,528                         |

The Company's credit risk grading framework in respect of financial assets other than trade receivables comprises the following categories:

| Internal credit rating | Description   | Basis for recognising ECL          |
|------------------------|---|------------------------------------|
| Low risk               | The debtor has historically made payments on time, and has a low risk of default  | 12 month ECL                       |
| Watch list             | Debtor frequently repays after due dates but usually settle after due date or the turnover days of debtor exceeds the credit term granted     | 12 month ECL                       |
| Doubtful               | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired |
| Loss                   | There is evidence indicating the asset is credit-impaired   | Lifetime ECL – credit-impaired     |
| Write-off              | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery          | Amount is written off              |

# Notes to the Financial Statements (Continued)

for the year ended 31 December 2021

## 38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

### 38.4 Credit risk (Continued)

#### (ii) Other financial assets

Other financial assets at amortised cost include cash and cash equivalent.

The credit risk on cash and cash equivalents are considered to be insignificant as the counterparties are banks with high credit ratings and a fellow subsidiary of the Company which only provides financial services to counterparties with high credit rating. The directors continuously monitor the quality and financial conditions of this counterparty.

The credit risk on bills receivable at FVTOCI are considered to be insignificant as the counterparties are mainly reputable or medium size banks and the risk of inability to pay or redeem at the due date is low.

### 38.5 Fair values measurements of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial assets is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2021 and 2020, the Company had only Level 3 bills receivable measured at FVTOCI. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2021 and 2020.

The fair values of financial assets at FVTOCI are determined using discounted cash flow at a discount rate that reflects the current borrowing rate at the end of the reporting period. The director of the Company considers the fluctuation in the discount rate would not result in a significant change in the fair value.

### 39. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to operate continuously and maximise the return to owners of the Company through the optimisation of the balance between debt and equity. The Company's overall strategy remains unchanged throughout the years ended 31 December 2021 and 2020.

The capital structure of the Company consists of net debt, which includes lease liabilities, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital and reserves.

The management of the Company reviews the capital structure from time to time. As a part of this review, the management of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Company, the Company will balance its overall capital structure through the payment of dividends, the issue of new shares or new debts or the redemption of existing debts.

### 40. EVENTS AFTER THE REPORTING PERIOD

#### (a) Continuing Connected Transactions – Property Lease (Procurement) Framework Agreement and the General Service (Procurement) Framework Agreement

On 31 January 2022, the resolutions of entering into a property lease (procurement) framework agreement and the general service (procurement) framework agreement (the "**Agreements**") with Rizhao Port Group for a term commencing from 1 January 2022 to 31 December 2024 have been approved in the extraordinary general meeting. For details, please refer to the announcements of the Company dated 26 November 2021 and 31 January 2022 and the circular of the Company dated 15 January 2022.

#### (b) Continuing Connected Transaction – Operation Outsourcing Agreement 2022

As the operation outsourcing agreement dated 23 February 2021 (the "**Operation Outsourcing Agreement 2021**") expired on 31 December 2021, the Company entered into the Operation Outsourcing Agreement 2022 with Rizhao Port Lanshan on 12 January 2022 for a term commencing from 12 January 2022 to 31 December 2024. For details, please refer to the announcement of the Company dated 12 January 2022.

#### (c) Continuing Connected Transaction – Shandong Port Shipping Group Framework Agreement

On 3 March 2022, the Company entered into a port-related service (sale) framework agreement with Shandong Port Shipping Group Group Co., Ltd. (山東港口航運集團有限公司) ("**Shandong Port Shipping Group**"), pursuant to which the Company agreed to provide stevedoring, transit and storage services to Shandong Port Shipping Group and other port-related services that the Company may provide to Shandong Port Shipping Group from time to time, commencing from 3 March 2022 to 31 December 2024. For details, please refer to the announcement of the Company dated 3 March 2022.

# Five-Year Financial Summary

|                     | Year ended 31 December |          |          |          |                 |
|---------------------|------------------------|----------|----------|----------|-----------------|
|                     | 2017                   | 2018     | 2019     | 2020     | 2021            |
|                     | RMB'000                | RMB'000  | RMB'000  | RMB'000  | RMB'000         |
| <b>Results</b>      |                        |          |          |          |                 |
| Revenue             | 520,514                | 532,061  | 542,783  | 615,318  | <b>758,421</b>  |
| Profit before tax   | 170,386                | 198,609  | 188,722  | 201,839  | <b>226,069</b>  |
| Taxation            | (43,404)               | (49,457) | (47,591) | (50,710) | <b>(57,773)</b> |
| Profit for the year | 126,982                | 149,152  | 141,131  | 151,129  | <b>168,296</b>  |

|                               | As at 31 December |           |           |           |                  |
|-------------------------------|-------------------|-----------|-----------|-----------|------------------|
|                               | 2017              | 2018      | 2019      | 2020      | 2021             |
|                               | RMB'000           | RMB'000   | RMB'000   | RMB'000   | RMB'000          |
| <b>Assets and liabilities</b> |                   |           |           |           |                  |
| Total assets                  | 1,762,771         | 1,717,548 | 2,511,242 | 2,502,564 | <b>2,732,604</b> |
| Total liabilities             | (253,767)         | (309,932) | (397,250) | (277,252) | <b>(338,996)</b> |
|                               | 1,509,004         | 1,407,616 | 2,113,992 | 2,225,312 | <b>2,393,608</b> |
| <b>Capital and reserves</b>   |                   |           |           |           |                  |
| Capital and reserves          |                   |           |           |           |                  |
| Share capital                 | 1,170,000         | 1,200,000 | 1,660,000 | 1,660,000 | <b>1,660,000</b> |
| Reserves                      | 339,004           | 207,616   | 453,992   | 565,312   | <b>733,608</b>   |
| <b>Total equity</b>           | 1,509,004         | 1,407,616 | 2,113,992 | 2,225,312 | <b>2,393,608</b> |